IN THE

SUPREME COURT OF THE UNITED STATES

MAY 6 1970
JOHN F. DAVIS, CLERK

October Term, 1969

No. 1535

Richard W. Erickson,
Christopher C. Hamlin,
Patrick Osborn, Edwin
Bathune and Robert Pascual,
doing business as "Phoenix
Tapes",

Petitioners,

vs.

Capitol Records, Inc.,
a California corporation.

Respondent.

Petition for a Writ of Certiorari to

the California Court of Appeal.

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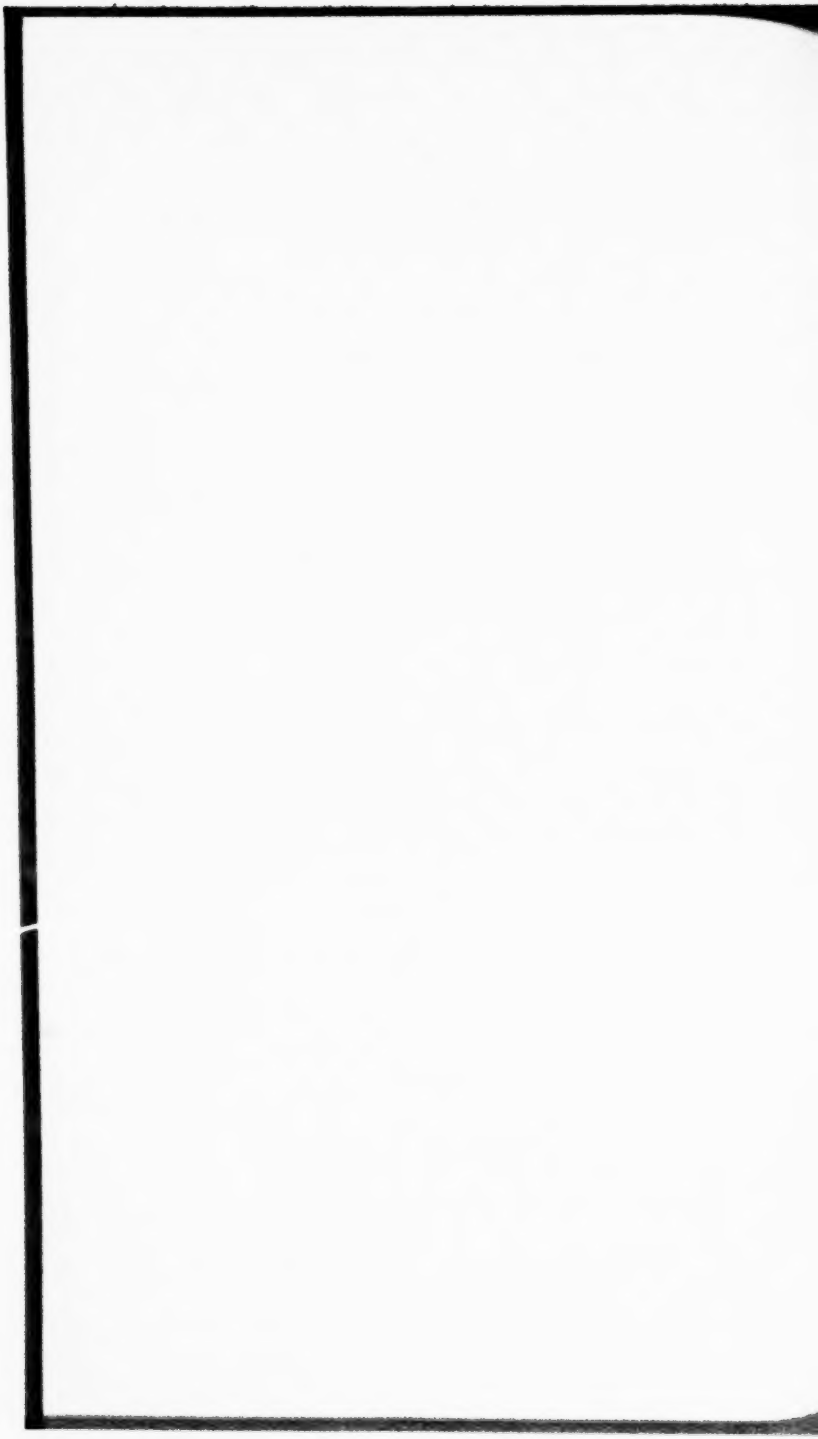
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Capitol Records, Inc.,
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Petition for a Writ of Certiorari to
the California Court of Appeal.

PETITION FOR CERTIORARI

Richard W. Erickson, Christopher C. Hamlin, Patrick Osborn, Edwin Bethune and Robert Pascual, doing business as "Phoenix



Tapes" (hereinafter referred to as "Phoenix"), hereby petition for a Writ of Certiorari to review the decision of the California Court of Appeal.

CITATION TO PROCEEDINGS BELOW.

The opinion of the California Court of Appeal in the instant case appears at 2 Cal App. 3rd 526.

JURISDICTION.

The opinion of the Court of Appeal in the instant matter, set out at Appendix A attached hereto, was entered on December 11, 1969.

A timely petition for hearing in the California Supreme Court was filed January 20, 1970.

The order of the California Supreme Court denying a hearing was entered on February 5, 1970.

Jurisdiction to review the proceedings in the court below is conferred on this court by 28 U.S.C., §1257(2).

QUESTION PRESENTED FOR REVIEW

1. May the State of California, consistently with this court's decisions in the Sears[1/] and Compco[2/] cases, prevent petitioners for an unlimited time from copying musical performances embodied on phonograph records and sold to the general public by respondent when such musical performances have not been copyrighted and have been deliberately excluded from coverage under the copyright laws by Congress.

1/ Sears, Roebuck & Company v. Stiffel Co., 376 U.S. 225 (1964).

2/ Compco. Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964).

2. May the State of California, consistently with Article 1, §8, Clause 8 of the United States Constitution, which grants Congress the power to protect inventions and writings for limited times only, grant protection for unlimited times to musical recordings which have been deliberately excluded from copyright protection by Congress?

CONSTITUTIONAL AND STATUTORY PROVISIONS.

This case involves the following constitutional and statutory provisions:

1. Article 1, §8, Clause 8 of the Constitution of the United States, which provides as follows:

> "The Congress shall have power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."

2. Title 17, United States Code, §§1 and 2 and California Civil Code §3369(3).

These sections are lengthy and are set forth, in pertinent part, in Appendix B.

STATEMENT OF THE CASE.

Petitioners are in the business of manufacturing and distributing pre-recorded stereophonic tape cartridges of copyrighted musical performances. It is admitted and the court below held that the said tape cartridges are manufactured by petitioners in the following manner: petitioners purchase on the open market records and/or tapes of various musical performances which have been produced, recorded, sold and exploited for their commercial value by respondents. Petitioners then make what is known in the trade as a "master" recording on tapes from those various records and tapes they have purchased. The order of performance, that is, the order that the various tunes are placed on petitioners' tapes, may be different from that order which is found on tapes or records from which the masters were made.

Petitioners then use this master to mass produce tape cartridges and sell such cartridges to the general public.

Petitioners then package and label their tapes and the said packaging and label contain the following disclaimer:

> "No relationship of any kind exists between Phoenix [petitioners herein] and the original recording company nor between this recording and the original recording artist. This tape is not produced under a license of any kind from the original recording company nor the recording artist(s) and neither the original recording company nor artists(s) receives a fee or royalty of any kind from Phoenix. Permission to produce this tape has not been sought nor obtained from any party whatsoever."

Clerk's Transcript (hereinafter referred to as "C.T."), pages 88, 90 and 92, and opinion of the court below, at Appendix A (hereinafter cited as "Opinion"), pages 2-3.

Neither respondent's name (Capitol Records) nor the name of any other record company nor the registered mark nor trade name

of respondent nor any other record company, other than petitioners', appears on the product. Ibid. Petitioners have notified the Register of Copyright that they plan to produce tapes containing copyrighted music and have requested the names of the copyright proprietors of the various tunes. C.T. at 87, 89 and 91. At the time of the hearing below petitioners had not yet received the said names, but the record discloses thatpetitioners testified that they would forward to the copyright proprietors the two cents per tune, per copy, required by Title 7, U.S.C., §1(e) when they received the proper names. C.T. at 87,89 and 91. The record below further discloses that petititioners established a "composer's trust account" and placed said two cents per tune, per copy, in said account until such time as they receive the names, and make the required payments. Ibid.

On July 24, 1968, respondent herein filed a complaint for "injunction, damages and accounting" (C.T. at 1) and on August 26, 1968, the court below issued a minute order granting respondent's request for preliminary injunction.[3/] C.T. at 93. Petitioners appealed from this order and the order was affirmed by the California Court of Appeal andpetitioners' petition for hearing in the California Supreme Court was denied.

THE STATE OF THE PROCEEDINGS, AND THE MANNER, IN WHICH THE FEDERAL QUESTIONS HERE SOUGHT TO BE REVIEWED WERE FIRST RAISED.

The instant action has been, from the beginning, defended on the premise that the State of California was barred from granting the respondent any relief because

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3/ See Appendix C.



appellants' business was constitutionally protected under Article 1, §8, Clause 8 and under Title 17, U.S.C. §1 et seq., and that pursuant to such sections the State of California may not prohibit the copying of unpatented and uncopyrighted public domain matters. This question was presented to the court first by petitioners points and authorities in opposition to respondent's request for preliminary injunction. Said points and authorities were not necessary to the appeal in the state court and therefore do not appear in the record. However, the record does disclose that petitioners filed in the trial court copies of complaints filed in a federal court action to restrain respondent from proceeding in the state court in the instant action. Said complaints (C.T. at 34-49) clearly indicate that petitioners presented to the trial court the constitutional questions

upon which the instant action is based. Petitioners do not believe that respondent contests that it was so presented. However, if this court believes it necessary petitioners will seek leave to augment the record to include copies of petitioners' points and authorities submitted by petitioner to the trial court as well as petitioners' answer to the complaint, which also presented the relevant constitutional questions.

Petitioners' opening brief in the California Court of Appeals, alone, establishes that the federal questions, to be presented hereinafter, were presented and briefed to the Court of Appeals, and the petition for hearing in the California Supreme Court raised the same constitutional issues. The trial court and the Court of Appeals rejected said federal arguments and held that the State of California had the power to grant what petitioners contend is copyright protection to respondent's records.

THE REASONS FOR THE GRANT OF CERTIORARI

I. THE PETITION PRESENTS IMPORTANT CONSTITUTIONAL QUESTIONS WHICH HAVE NOT BEEN SPECIFICALLY DECIDED BY ANY APPELLATE COURT, STATE OR FEDERAL, OTHER THAN THE COURT BELOW.

As noted, the question here presented is whether or not the State of California may enforce a state copyright law under the guise of its unfair competition statutes. The factual situation involves the copying of phonograph records which are unprotected by copyright. It is a question of great importance, not only to the recording industry, but also to the purchasers of recorded music. Except for the decision of the court below the specific question has not previously been considered by any appellate court, state or federal. However, it should be noted that the decision of the court below is not only contrary to the holdings and reasoning of

this court's opinion in Sears and Compco, but purports to be based almost entirely upon a previous decision of this court, International News Service (I.N.S.) v. Associated Press, 248 U.S.215 (1918), which the First Circuit[4/] has specifically held to have been overruled by Sears and Compco, and has been held by both the Second[5/] and Ninth[6/]

4/ Columbia Broadcasting System v. De Costa, 377 Fed.2d 315, 318-19 (1st Cir. 1967), cert. den. 389 U.S. 1007, discussed infra, at pages 24 - 25.

5/ See e.g. Cheney Bros. v. Doris Silk, 35 F. 2d 279, 280 (2d Cir. 1929) cert.den. 281 U.S. 728 (1930) ("We think that no more was covered [in I.N.S.] than situations substantially similar to those then at bar."); and G. Riccordi v. Haendler, 194 F. 2d 914, 916 (2d Cir. 1952)("[A]s we have several times declared, that decision is to be strictly confined to the facts then at bar"). These cases were decided even prior to Sears and Compco.

6/ Cable Vision v. KUTV, 335 F.2d 348 (9th Cir. 1964), cert. den. 379 U.S. 989 (1965).

Circuits to be limited to its own facts.

Finally, what is apparently an alternate ground for the court of appeal's opinion, that is, that petitioners' use of the title of respondents' album and of the name of the artist, is also unfair competition, is also directly contrary to Sears and Compco, as well as to the holding of another Ninth Circuit case.[7/]

II. THE INJUNCTION GRANTED BY THE COURT BELOW IS DIRECTLY CONTRARY TO THE FEDERAL POLICY THAT THERE SHALL BE FREE ACCESS TO WHATEVER THE COPYRIGHT LAWS LEAVE IN THE PUBLIC DOMAIN.

1. Musical recordings have intentionally been denied copyright protection.

Section 5 of the Copyright Act (17 U.S.C.A. §5), which classifies the various

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7/ Smith v. Chanel, Inc., 402 F.2d 562 (1968) discussed infra at 29.

types of work subject to copyright protection, does not list recordings of musical performances. Further, Section 1(e) of the Copyright Act (17 U.S.C.A. §1(e)), which grants copyright protection to musical compositions, does not give protection to "mechanical reproductions", although they are specifically mentioned in that section. Instead, the section provides merely for the compulsory licensing, by the composer, of his composition once he allows anyone to make a mechanical reproduction of it.

This omission was not a mistake but was done with the full knowledge of the Congress. The committee which recommended this provision of the Copyright Act states its intention in its committee report, as follows:

"It is not the intention of the committee to extend the right of copyright to the mechanical reproductions themselves, but only to give the composer or copyright proprietor the control, in accordance with the provisions of the bill, of the manufacture and use of such devices."
H.R. Rep., No. 2222, 60th Cong.2d Sess. 10.

In Capitol Records v. Mercury Records Corp., 221 F. 2d 657, 661 (2d Cir. 1955), a case relied on by the court below in its decision (Opinion at 22), the court concluded that this committee report was the "actual intent of Congress" and noted that:

"This [is an] express disclaimer of intention to extend the right of copyright to the mechanical reproductions themselves . . . ."

Therefore, as the law stands today, and it has not been amended in this respect since the enactment of §1(e) in 1909, musical recordings have intentionally been denied copyright protection and the copy-

right office has refused to accept recordings for registration.[8/] This fact was not challenged by the court below. Its significance was not even noted. Nor has it been challenged by respondent. Nevertheless, the respondent seeks, and the courts below have granted, protection which is far broader than would have been possible had the recordings been copyrighted under federal law, since the Federal Copyright Act, as required by Article 1, §8,

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The record companies have almost continuously sought to persuade Congress to provide such protection. Between 1909 and 1951 thirty-one such bills were introduced, although none of them passed. See generally Staff of Subcomm. on Patents, Trademarks and Copyrights, Senate Comm. on the Judiciary, 86th Cong., 2d Sess. The Unauthorized Duplication of Sound Recordings [7 Comm. Print 1961] (Study No. 26, by Barbara Ringer) at 31-37.

Clause 8 of the Constitution, limits the duration of copyright protection, whereas California, through its courts' use of injunctive power, provides unlimited protection.

2. State courts may not prohibit the copying and sale of items which have been left in the public domain by federal law.

This proposition is now well established by the cases of Sears Roebuck & Company v. Stiffel Co., 376 U.S. 25 (1964); and Compco Corp. v. Day-Brite Lighting, Inc. 376 U.S. 234 (1964). It should not be necessary at this point to repeat the language of said cases. However, it is helpful to note that in Sears this court stated:

> "An unpatented article, like an article in which a patent has expired, is in the public domain and may be made and sold by anyone who chooses to do so." Sears, supra, at 231.

Further, in Compco, the court held:

"Today we have held, in Sears Roebuck & Company v. Stiffel & Company, supra, that when an article is unprotected by patent or a copyright, state law may not forbid others to copy that article. To forbid copying would interfere with the federal policy, found in Article 1, §8, Clause 8, of the Constitution and in the implementing federal statutes, of allowing free access to copy whatever the federal patent and copyright laws leave in the public domain." Compco, supra at 237.

Respondent has suggested in the courts below that the public sale of a record does not place the musical performances embodied on that record in the public domain because such public sale does not constitute a publication within the meaning of the copyright laws.[9/] Respondent's position is untenable. It has done everything necessary to exploit the records and such unlimited commercial exploitation must

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9/ This contention was neither accepted nor rejected by the court below.

constitute a publication.[10/] Additionally, there are numerous cases which hold that the public sale of a record does consti-

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10/ In a case involving similar circumstances, Fashion Originators Guild v. F.T.C., 114 Fed. 80 (2d Cir. 1940), affd., 312 U.S. 457 (1941), this same contention was made. That is, full exploitation of an uncopyrightable item, does not place that item in the public domain. In that case the argument was made that the sale of dresses did not constitute a publication and thereby a loss of common law protection for the dress designs. In an opinion by Judge Learned Hand the court found that the sales did constitute such a publication; and that to rule otherwise would be "absurd". The court went on to hold that the loss or denial of federal copyright protection was no reason to furnish state protection.

> "It would certainly be a strangely perverse anomaly that turned the grant of statutory copyright into a detriment to the 'author'; yet it would be hard to prove that the statutory remedies conferred made up for the limitation of the monopoly. Omission of property from the act would be a bonanza to those who possessed property of that kind." Id. at 80.

tute such a publication.[11/]

Since respondent's public sale of its records constitutes a "publication" and since they have not been given copyright protection, they may be freely copied, and they may not be protected by the states under 17 U.S.C. §2, which allows the states to protect only unpublished matter. Long before Sears and Compco these points were discussed by the Second Circuit in Fashion Originators Guild v. Federal Trade Commission, 114 F. 2d 80 (2d Cir. 1940), aff'd,

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11/ See, e.g., R.C.A. Mfg. Co., Inc. v. Whiteman, 114 F.2d 86, 88 (2d Cir. 1940) ("We think that the common law property in these performances ended with the sale of the records . . . ."); Shapiro, Bernstein & Co., Inc. v. Miracle Record Co., Inc., 91 F.Supp. 473, 475 (N.D. Ill. 1950) ("It has been held that the 'common property' in a particular rendition of a musical composition ended with the sale of the records"; and Mills Music v. Cromwell Music, 126 F.Supp. 54, 69 (S.D.N.Y. 1954).

312 U.S. 457 (1941). In holding that the Guild could not blacklist dressmakers who "pirated" original dress designs created by Guild members, the court, in an opinion by Judge Learned Hand, held:

> "When in this country the Constitution (§8, cl. 8, Art. I) gave to Congress power to 'secure' to authors the 'exclusive right to their . . . writings,' it was to be only 'for limited time,' and did not allow a perpetual copyright. The purpose so disclosed is certainly inconsistent with the assumption that an author - notwithstanding publication and full enjoyment of his 'common law property' - might maintain his monopoly for 'unlimited times.' . . . .We conclude therefore that, regardless of whether the Guild's designs could be registered or not 'publication' of them was a surrender of all its 'common law property' in them.
>
> "To embody a design in a dress or a fabric, and offer the dress for general sale was such a 'publication'; nothing more could be done to bring it into the "public demesne. It may be unfortunate - it may indeed be unjust - that the law should not thereafter distinguish between 'originals' and copies; but until the Copyright law is changed, or until the Copyright Office can be induced to register such designs as copyrightable under the existing statute, they both fall into the public demesne without reserve. [Citations.]" Id. at 83-84.

III. THE HOLDING OF THE COURT BELOW THAT THE DECISIONS OF THIS COURT IN SEARS AND COMPCO DO NOT APPLY TO MUSICAL RECORDINGS IS UNSOUND.

The corner stone of the opinion below is the conclusion that the 1918 decision of this Court in I.N.S. v. Associated Press,[12/] rather than the 1962 decisions of this Court in Sears and Compco should govern the copying of musical recordings. In I.N.S., this Court held that the states may prohibit the copying of newspaper stories, not withstanding the absence of copyright protection.

1. I.N.S. v. Associated Press cannot justify a result contrary to the later decisions of this Court in Sears and Compco.

The conflict between I.N.S. on the one hand and Sears and Compco on the other may

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12/ 248 U.S. 215 (1918).

easily be demonstrated by a simple, hypothetical problem. Suppose that musical performances were copyrightable, and that the respondent had obtained a copyright on its recordings. Would not the records and tapes made by the petitioner from such recordings constitute an infringement of respondent's copyright?

The answer must obviously be "Yes, they would." The State of California, acting through the court below, has simply established such a copyright law, in fact if not in name, making records copyrightable and enjoining petitioners from infringing that copyright. Clearly, under Sears and Compco, neither the State of California nor any other state has authority to enforce such a law.

Neither Sears nor Compo make reference in any way to I.N.S. v. Associated Press, 248 U.S. 215 (1918). It was this fact that the

court below seized upon to hold that I.N.S. could validly be applied to the record industry.

There is certainly nothing in the language of Sears and Compco which indicates that they are to be limited to their particular facts (i.e., the copying of light fixtures and pole lamps). See Lear v. Adkins, 395U.S. 653, 23 L.ed.2d 610, 622-23 (1969). Both the First and the Ninth Circuits are in accord. In Columbia Broadcasting System v. de Costa, 377 F.2d 315 (1st Cir.1967), cert. den.389 U.S.1007, the Court held:

> "Moreover the leading case affording a remedy for mere copying, I.N.S. v. Associated Press (1918), 248 U.S.215, is no longer authoritative as it prohibited the copying of published written matter that had not been copyrighted (indeed, as news it could not be copyrighted, 248 U.S. at 234) it has clearly been overruled by the Supreme Court's decision in Sears. . . and Compco. . . ." 377 F. 2d 315, 318-19. See also Cable Vision, Inc. v. KUTV, Inc., 335 F.2d 348, 352 (9th Cir. 1964) cert. den. 389 U.S. 989 (1965) I.N.S. v. A.P., limited to its facts).

Even before the decisions in this Court in Sears and Compco, I.N.S. had been limited to the copying of news.[13] Yet the court below did not even cite Columbia Broadcasting System v. de Costa, Cable Vision, Inc. v.KUTV, Inc., or any of the cases cited in Footnote 14 on this point.

2. The dicision of the court below cannot be justified on the basis of a supposed distinction between copying and appropriation.

The court below attempted to draw a distinction between "appropriation" and "copying." One such distinction would be based upon the extent of the copying. That is, to copy part of another product is "copying", whereas to copy the entire product is to "appropriate" it. Such a distinction finds no support in the holdings of Sears and Compco. In Compco, for

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13/ See cases cited at note 5, supra.

instance, this Court stated that items in the public domain can be copied "in every detail"[14] and in both Sears and Compco this Court noted that the copying was substantially exact copying.[15]

The only other possible distinction between "copying" and "appropriating" would be based upon the manner in which the copying is done. The court below appears to have adopted the following suggestion of the respondent:

> "Sears and Compco could be analogous if appellants had imitated Capitol's recordings, that is, if appellants had listened to a Capitol album and then hired and paid performers, musicians, arrangers, engineers, and technicians, paid for recording studio facilities and manufactured their own distinct product,

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14/ 376 U.S. at 238.

15/ Sears, supra, 376 U.S. at 226, and Compco, supra, 376 U.S. at 237.

which strove to sound like Capitol's recordings, then Sears and Compco might obtain." (Respondent's brief in the Court of Appeal, page 14.)

In short, the court below has taken the position that while Congress may have granted to the public the right freely to copy whatever is in the public domain, that the states may (a) prohibit exact copying, and (b) make such copying as they do permit both difficult and expensive.

There is nothing in either the facts or the language of either Sears or Compco which justifies any such conclusion. For example, there is nothing in either the opinion or record of Sears which would indicate that the Sears designers simply made "freehand" copies which looked to the best of their ability, like the Stiffel lamp. The Court simply stated that Sears "copied" the Stiffel lamp, and it is reasonable to assume that the Sears designers used whatever mechanical

aids they felt were necessary or convenient in doing so. At the very least, Sears designers who "copied" the Stiffel lamp were "appropriating" the creative efforts of the men who designed the Stiffel lamp.

Both the Second and the Ninth Circuits have rejected the supposed distinction between copying and appropriating which was drawn by the court below. In Cable Vision, Inc. v. KUTV, Inc., 335 F.2d 348 (9th Cir.1964), cert.den. 379 U.S. 989 (1965), the Court held that a community antenna television system could not be enjoined from picking up the broadcast programs of the plaintiff television station and selling them in competition with the plaintiff. The Court held Sears and Compco "dispositive of the issues" (Id. at 351) and limited

International News Service v. Associated Press to its facts (Id. at 352.) Clearly if there is any difference between copying and appropriating, that case involved "appropriating", since Cable Vision was taking and selling the very product of its competitor.

More recently, in Smith v. Chanel, Inc., 402 F.2d 562 (9th Cir.1968), the Court held that the defendant could not be enjoined from selling a perfume which it advertised as a "duplicate of Chanel No.5", which was the registered trade name under which the plaintiff sold its perfume. The Court held that the defendant's perfume could be sold and advertised in this manner even if the plaintiff's methods of production had not been duplicated. With respect to this question, the Court stated:

"If all of the original product's characteristics are found in the copy, the method by which that result was achieved is of no significance to the purchaser." (Id. at 570).

In G. Riccordi v. Haendler, 194 F. 2d 914 (2d Cir. 1952), the court held that photographic copying of unpatented, uncopyrighted written material was proper. In that case, as in the instant case, the plaintiff claimed that while the defendant could copy his book, he could not do so by photographing it and thereby avoiding the expense of making printing plates, an expense that plaintiff therein had to incur.[16/] The court noted that the book was not covered

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16/ This same argument is easily recognized in the opinion of the court below. Opinion at 35 et seq. The court repeatedly stresses the fact that respondent has expended a great deal of money in producing its product, an expenditure which is not only matched by petitioners but which petitioners have allegedly "appropriated".

by a copyright and held:

> "Defendant was free to photograph and sell the plaintiff's book." (Id. at 916.)

This was the only case cited by this Court in Sears to support its holding that a state may not prohibit the copying of unpatented, uncopyrighted items.

Thus, the distinction drawn by the court below has been rejected by the Second and Ninth Circuits, and finds no support in this Court's decisions in Sears and Compco and is conceptually unsound. Copying necessarily involves an appropriation of at least some part of the work and effort of the originator.

IV. THE DECISION OF THE COURT BELOW IS CONTRARY TO THE POLICY OF THE FEDERAL COPYRIGHT LAW.

1. Uniform national standards are required in the field of patent and copyright law.

Article I, §8, Clause 8 of the Constitution provides that Congress may establish a patent and copyright law. Congress has done so, and uniform national standards have been established. The area in which individual states may establish their own standards for regulation in the copyright field has been limited by Congress in §2 of the Copyright Act to works which are unpublished The decision of the court below establishes another area in which individual states may apply their own copyright law, viz., works which Congress had determined shall not be given copyright protection, provided, however, that state regulation shall be limited to prohibiting appropriation, as distinquished from mere copying.

In concluding that uniform national standards were not required, the court

below relied heavily upon Capitol Records v. Mercury Records Corporation, 221 F.2d at 657 (2d Cir.1955), a case obviously decided before this Court's decisions in Sears and Compco. This case was decided on the basis of New York law. Id. at
The Court admitted that the Copyright Act did not give protection to musical performances embodied on phonograph records.[17] However, the majority held that for this very reason New York could furnish such protection.[18] Judge Learned Hand dissented on the ground that the need for uniform federal regulation in this area required the application of federal law, and that copying

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17/ 221 F.2d at 662.

18/ 221 F.2d at 662. The majority so held despite its finding that Congress had deliberately chosen to exclude phonograph records from copyright protection. Id. at 660-61.

of items such as phonograph records which were not subject to copyright protection should be permitted.

The court below ignores the contrary views of Columbia Broadcasting System v. deCosta, 377 F.2d 315 (1st Cir.1967), cert. den. 389 U.S.1007, which reiterates the need for uniform national regulation in the copyright area and refers to Learned Hands's dissent in Capitol Records as "prophetic" in the light of Sears and Compco.

The possibility of a conflict between the states with respect to the protection of unpatented and uncopyrighted items has in fact arisen. The State of Massachusetts has rejected the distinction drawn by the Court below. Angell Elevator Lock Co. v. Manning, 348 Mass.626, 205 N.E.2d 245 (1965) involved a case in which the defendant procured an unpatented elevator lock

lubricator from the plaintiff and "dismantled the lubricator and used the parts to make patterns and molds from which lubricator parts were made." To the extent that an intelligible distinction can be drawn between appropriating and copying, this conduct clearly falls on the appropriating side of the line. Yet, the Court citing Sears and Compco held that if there was confusion as to the source of the elevator lock lubricator, an identifying label could be required, but that the copying itself could not be prohibited.

Trial courts have also split over this question. New York Courts have followed I.N.S., but New Jersey Courts seem to have rejected it. See Press Publishing Co. v. Atlantic County Advertiser, Inc. 108 N.J.Super.75, 260 A.2d 6 (1969), where the Court refused to

enjoin the photo offset copying of uncopyrighted material in a newspaper on the authority of Sears, Compco and Cable Vision.

As previously noted, federal courts have already held that any method of copying may be used to reproduce pole lamps, light fixtures, television programs, Chanel No. 5 Perfume, and books. (See Sears, Compco, Cable Vision, Chanel Inc. and G. Riccordi, supra.) There is no justification for treating records any differently. In fact, as we will show in the next section, Congress intentionally gave less protection to musical compositions than it did to other works covered by the copyright laws.

2. The decision of the court below is contrary to the Congressional policy of free competition in the field of musical compositions.

As this Court stated in Sears at pages 229-31 there must be uniform regulation in the field of patents and copyrights in order to preserve the delicate balance between promotion of invention and the preservation of free competition. Congress, in deciding what protection to give to musical recordings, has chosen to emphasize free competition. The overriding concern of Congress in the enactment of a copyright law for musical compositions (17 U.S.C. §1(e)) was to avoid a great "music monopoly" (Shapiro, Bernstein & Co. v. Remington Records, Inc., 265 F.2d 263, 269-70 (2d Cir.1959)) while at the same time granting certain limited protections to composers. To accomplish these purposes, Congress adopted a scheme for compulsory licensing on the payment of a fee of two cents per copy. Thus,

Congress has determined that the interest of the public in free competition and the broad dissemination of music outweighs the composer's interest in maximum commercial exploitation.

The justification of the court below for rejecting the Congressional choice is that:

> "Phoenix, [petitioner], applies as a test the right of Capitol as against the public, instead of considering as a test the rights of Phoenix and Capitol, competitors in business, as between themselves." Opinion at

This is a true statement of fact, but it is hardly a justification for the refusal of the Court to protect the rights of the public. Sears, Compco, Cable Vision, and Columbia Broadcasting Systems, Inc. v. De Costa all involve such disputes between competitors, yet they were decided upon the basis of the rights of the public. How can the

Congressional policies be given effect if competitors are not allowed to compete? In fact, is not the discouragement of competition the very antithesis of the Congressional policy in this area?

3. The decision of the court below is contrary to the limitation stated in the Constitution that patent and copyright protection shall be granted for limited times only.

Article I, §8, Clause 8 of the Constitution provides that Congress may grant protection to authors and inventors for limited times only. Does it not follow a fortiorari that the states may not grant unlimited protection to such authors and inventors? Yet this is exactly what the decision of the court below does with respect to musical recordings. There is no time limit on the injunction which has been issued against the petitioner.

V. THE DECISION OF THE COURT BELOW CANNOT BE SUSTAINED ON THE GROUND THAT THERE IS A LIKELIHOOD OF CONFUSION BETWEEN PETITIONERS' AND RESPONDENT'S PRODUCTS.

1. There is no evidence of any actual confusion.

The only testimony cited by the court below (Opinion at 9) clearly establishes that the customer knew the tapes offered to him were duplicated tapes manufactured by Phoenix, not respondent, and he refused to purchase the tapes because they were not originals. C.T. at 21. The court below nevertheless concluded that there was a possibility of confusion or "palming off" because of the identity of titles and artists, and in

spite of the express disclaimer (see page 6, supra) which petitioners placed on each tape. Opinion at 37.

2. Under the decisions of the Supreme Court in Sears and Compco, the possibility of confusion and palming off does not justify an injunction against copying.

As we have shown above, the court below found that there was a likelihood of confusion as to the source of petitioners' tapes. That is, potential customers may believe that a tape which they purchase bearing petitioners' (Phoenix) label is actually one of respondent's tapes. Whether this be labeled "confusion" or "palming off", it cannot be used as the basis for an injunction against copying. This was the

specific holding of the Supreme Court in both the Sears and Compco decisions.

In the Sears case, this court held:

> "Sears has been held liable here for unfair competition because of a finding of likelihood of confusion based solely on the fact that Sears' lamp was copied from Stiffel's unpatented lamp and that consequently the two looked exactly alike.
>
> "Of course, there could be 'confusion' as to who had manufactured these nearly identical articles but mere inability of the public to tell two identical articles apart is not enough to support an injunction against copying or an award of damages for copying that which the federal patent law permits to be copied. Doubtless the State may, in appropriate circumstances, require that goods. . . be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source . . . of the goods. But because of the federal patent laws the State may not, when the article is unpatented and uncopyrighted, prohibit the copying of the article itself or award damages for such copying." Sears Roebuck & Co. v. Stiffel Company, 376 U.S. 225, 232 (1964).

This holding is clear and explicit; when an article is "unpatented" and "uncopyrighted", the States may not prohibit

the copying of that article, although they may require that its source be identified.

What the court below thought of this holding we do not know, for it was not mentioned. Nor did the court consider the adequacy of the respondent's label, beyond acknowledging that the Phoenix label does in fact disclaim any connection with Capitol or the performing artists. Opinion at 22. The court below seems to have taken the position that there may be confusion or palming off in spite of the label. This type of confusion cannot serve as the basis for an injunction against copying. As this court stated in Compco:

> "Notwithstanding the thinness of the evidence to support findings of likely and actual confusion among the purchasers, we do not find it necessary in this case to determine whether there is 'clear error' in these findings.

> They, like those in Sears Roebuck & Co. v. Stiffel and Company, supra, were based wholly on the fact that selling an article which is an exact copy of another unpatented article is likely to produce and did in this case produce confusion as to the source of the article. Even accepting the findings, we hold that the order for an accounting for damages and the injunction are in conflict with the federal patent laws." Compco Corp. v. Day-Brite Lighting, 376 U.S. 234, 237 (1964).

The court below made no attempt to tailor the injunction to the requirements of the Sears and Compco decisions. In fact, the injunction itself says nothing at all about labeling.

3. Petitioners cannot be enjoined from using the album titles and names of the recording artists found on respondent's records.

The court below concluded that petitioners' use of the same album titles, and the actual names of the recording artists added to the possibility of confusion and palming off, in spite of the label the petitioners affixed to each

of their tape cartridges. Yet this court held, in Sears and Compco, that confusion which is produced solely by the copying and use of items which the defendant has the right to copy and use may not furnish the basis for an injunction against copying. See e.g. Compco Corp. v. Day-Brite Lighting, 376 U. S. 234 at 238 (1964).

Respondent does not claim that it is within the protection of the copyright or trademark laws. Therefore, the titles and names which it uses should be afforded no greater protection than the works which they describe.

In Kellogg Co. v. National Biscuit Co., 305 U.S. 111 (1938), the court held that when the patent on the machine for making shredded wheat expired, that the public had the right

to use both the machine and the name of the product which it made:

> "Not only the right to make the article as it was made during the patent period, but also the right to apply thereto the name by which it had become known." Id. at 118.

> "Where an article may be manufactured by all, a particular manufacturer can no more assert exclusive rights in a form in which the public has become accustomed to see the article and which, in the minds of the public, is primarily associated with the article rather than a particular producer, then it can in the case of a name with similar connections in the public mind . . . ." Id. at 120.

To the same effect is the recent case of Smith v. Chanel, Inc., 402 F. 2d 562 (9th Cir. 1968), where the court held, relying on Kellogg and Justice Holmes' opinion in Saxlehner v. Wagner, 216 U.S. 375 (1910), that defendant had a right to advertise its performance as a "duplicate" of Chanel No. 5, the registered trade name of plaintiff's perfume.

In short, where an article may be copies, you may also copy its generic name, and confusion which results from the use of the same names may not be enjoined, provided that your product is properly labeled. In light of petitioners' disclaimer label, the possibility of confusion which the court below found is not enough to sustain an injunction.

CONCLUSION

It is therefore respectfully submitted that a Writ of Certiorari should be granted in this case.

BEARDSLEY, HUFSTEDLER & KEMBLE
BURTON J. GINDLER
JOHN SOBIESKI
ARTHUR LEEDS

Attorneys for Petitioners

by Burton J. Gindler
Burton J. Gindler

APPENDIX A

(Filed Under Separate Cover)

APPENDIX B

APPENDIX B

17 U.S.C. §1.

"Any person entitled thereto, upon complying with the provisions of this title, shall have the exclusive right:

" . . . .

"(e) To perform the copyrighted work publicly for profit if it be a musical composition; and for the purpose of public performance for profit, and for the purposes set forth in subsection (a) hereof, to make any arrangement or setting of it or of the melody of it in any system of notation or any form of record in which the thought of an author may be recorded and from which it may be read or reproduced: Provided . . . .And as a condition of extending the copyright control to such mechanical reproductions, that whenever the owner of a musical copyright has used or permitted or knowingly acquiesced in the use of the copyrighted work upon the parts of instruments serving to reproduce mechanically the musical work, any other person may make similar use of the copyrighted work upon the payment to the copyright proprietor of a royalty of 2 cents on each such part manufactured, to be paid by the manufacturer thereof; and the copyright proprietor may require, and if so the manufacturer shall furnish, a report under oath on the 20th day of each month on the number of parts of instruments manufactured during the previous month serving to reproduce mechanically said musical work, and royalties shall be due on the parts manufactured during any month upon the 20th of the next succeeding month. The

payment of the royalty provided for by this section shall free the articles or devices for which such royalty has been paid from further contribution to the copyright except in case of public performance for profit. It shall be the duty of the copyright owner, if he uses the musical composition himself for the manufacture of parts of instruments serving to reproduce mechanically the musical work, or licenses others to do so, to file notice thereof, accompanied by a recording fee, in the copyright office, and any failure to file such notice shall be a complete defense to any suit, action, or proceeding for any infringement of such copyright.

" . . . .

17 U.S.C. §2.

"Nothing in this title shall be construed to annul or limit the right of the author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication, or use of such unpublished work without his consent, and to obtain damages therefor.

California Civil Code, §3369.

". . . .

"2. Any person performing or proposing to perform an act of unfair competition within this State may be enjoined in any

court of competent jurisdiction.

"3. As used in this section, unfair competition shall mean and include unlawful, unfair or fraudulent business practice and unfair, untrue or misleading advertising and any act denounced by * * * Business and Professions Code Sections 17500 to 17535, inclusive.

APPENDIX C

APPENDIX C

This court's appellate jurisdiction under 28 U.S.C. §1957 is clear, notwithstanding that a review is sought of the issuance of a preliminary injunction rather than of a judgment after a trial on the merits. The preliminary injunction in this case, by its own terms, is to be effective until further modification or order of the court. [C.T. at 95.]

There is really but one issue in this case. That is, to what extent may a state, under the guise of its laws on unfair competition, grant what is in effect unlimited copyright protection in areas where Congress has deliberately decided not to grant copyright protection. For all practical purposes this important federal issue has been decided by the affirmance

of the issuance of the preliminary injunction by the California Court of Appeal and the denial of a hearing to review the issuance of the preliminary injunction by the California Supreme Court. Of course, the decision of the California Court of Appeal is binding upon the trial court during any further proceedings in the case under California's doctrine of Law of the Case. Tally v. Ganahl, 151 Cal. 418 (1907).

After the issuance of the preliminary injunction and the ensuing appeal therefrom, plaintiff moved in the trial court for a summary judgment. Defendants filed in opposition to that motion the "Declaration of Richard W. Erickson in Opposition to Motion for Summary Judgment", a true copy of which is attached hereto as "Appendix C-1". In reading that declara-

tion it is clear that the only facts upon which defendants opposed the motion for summary judgment were before the court at the time of the issuance of the preliminary injunction.

The trial court ruled on the motion for summary judgment on January 8, 1969, denying the motion for summary judgment without prejudice on the ground that the declaration submitted by plaintiff did not contain facts which affirmatively showed that the declarant would be competent to testify to the facts set forth in his declaration. Thus, but for the failure of plaintiff to properly present his case for summary judgment, summary judgment would have been entered based on the same matters which were before the court at the time of the issuance of the preliminary injunction.

The respondent never renewed its motion, and it need not since it is in a position to prevent further proceedings in this matter, thus making the preliminary injunction the final determination of the merits. They have no reason to proceed since petitioners can not now, or in the future copy petitioner's albums. Normally, in such a situation petitioner could force respondent to proceed by bringing a motion to dismiss the action for failure to prosecute. However, in the instant case, even if petitioners are successful in such a motion they have gained nothing. If they attempt to start copying respondent's tapes after this action is dismissed, under the decision below this would simply give rise to a new cause of action in favor of respondent

who could then bring a new action. Further, in light of the decision below, the trial court would have no choice but to enter a new "preliminary" injunction and the whole process would start again. In this manner respondent could continue to prevent a trial on the merits, ad infinitum.

This Court has consistently held that the issuance of an injunction is final for purposes of review when the issuance of the injunction terminated the litigation for all practical purposes. Thus, in Food Employees v. Logan Valley Plaza, 391 U.S. 308 (1968), the court noted:

> "We need not concern ourselves with deciding whether the injunction is to be characterized as permanent or temporary. Since the order provides in terms that it shall remain in effect until further modification by

the court and since there is no indication that any modification forthcoming at any time in the near future, the judgment below upholding the issuance of the injunction is clearly final for purposes of review by this court." Id. at 312, n.5.

Further, even if the instant case should proceed to trial, it is clear that any such trial would be no more than a formality in light of the record already before the Court. This court stated in Mills v. Alabama, 384 U.S. 214 (1966):

> "Thus if the case goes back to the trial court, the trial, so far as this record shows, would be no more than a few formal gestures leading inexorably towards a conviction, and then another appeal to the Alabama Supreme Court for it formally to repeat its rejection of Mills' constitutional contentions whereupon the case could then once more wind its weary way back to us as a judgment unquestionably final and appealable. Such a roundabout process would not only be an inexcusable delay of the benefits Congress intended to grant by providing for appeal to this Court, but it would also result in a completely unnecessary waste of time and energy in judicial systems already troubled by delays due to congested dockets." Id. at 217.

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Another test this Court has used in order to determine whether or not a particular order for which review is sought is sufficiently final is whether or not the matter under review is separate and independent to the merits of the case. This test was discussed in Mercantile Natl. Bank v. Langdeau, 371 U.S. 555 (1963). In that case this Court was presented with the question as to proper venue in a case involving a national bank. This court reasoned:

> "Nonetheless, a substantial claim, appealable under state law, is made that a federal statute, rather than a state statute, determines in which state court a national bank may be sued and, as in Curry, prohibits further proceedings against the defendants in the state court in which the suit is now pending. This

> is a separate and independent matter, anterior to the merits and not enmeshed in the factual and legal issues comprising the plaintiff's cause of action." Id. at 526.

Of course, as we have mentioned in an earlier portion of this appendix, the merits of the case have in effect been determined. Nonetheless, the question under review is separate and independent to the merits of the action. Again, the question is simply the extent to which the states may grant monopoly protection in light of federal constitutional and statutory law.

As established in Local No. 438 Construction Laborer's Union v. Curry, 371 U.S. 542 (1963), the court may look to the whole record in determining questions of finality. In Curry, the court examined the entire record and concluded that for all practical purposes litigation was terminated. In Curry the court noted that

the Georgia Supreme Court not only claimed jurisdiction of the subject matter but also resolved the merits of the issues raised in the course of the hearing upon the temporary injunction in adjudging the petitioner in Curry to be in violation of the Georgia right-to-work law for which an injunction was authorized as the appropriate remedy. In addition, the petitioner in Curry conceded before the United States Supreme Court that he had no further factual or legal issues to present to the Georgia trial court. Here, the California court not only determined that it could apply California's law of unfair competition but also determined that petitioners' conduct must be enjoined. Petitioners here freely admit that they had, prior to

the issuance of the preliminary injunction, been engaged in the proscribed conduct. And as in Curry, petitioners herein concede before this court that they have no further factual or legal issues to present to the California trial court.

Thus, this action is final within the meaning of 28 U.S.C. §1257.

APPENDIX C-1

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Attorneys for Defendants

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

CAPITOL RECORDS, INC., a California corporation, Plaintiff, vs. RICHARD W. ERICKSON, et al., Defendants.	NO. 936 374 DECLARATION OF RICHARD W. ERICKSON IN OPPOSITION TO MOTION FOR SUMMARY JUDGMENT

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

RICHARD W. ERICKSON declares as follows:

1. That he is one of the defendants in the within action.

2. That prior to the imposition of the preliminary injunction in the instant action, Phoenix Tapes, a general partner-

ship, in which I am a partner, produced and sold tape recordings of musical performances that had originally been recorded and sold to the general public by plaintiff.

3. That Phoenix Tapes produced said tapes in the following manner:

(a) First we purchased, at retail, a "disc" of the musical performance.

(b) We then used the "disc" recording as a master to produce the tape recording which we sold to the general public.

(c) We maintained, at great expense and with great expenditure of time, a very high level of quality control.

4. That I have a B.S.E.E. (Bachelor of Science in Electrical Engineering) degree from the University of Miami (Florida).

5. That prior to my association with Phoenix I worked for Muntz Stero Pack as Chief Engineer.

6. That during the period in which I sold for Muntz that company produced many tape recordings of musical performances for plaintiff under my direction.

7. That the tape recordings of musical performances so produced by Muntz were marketed and sold under the plaintiff's name.

8. That during this period I became familiar with the technical quality of the aforesaid tape recordings of plaintiff.

9. That I have made tests of Phoenix tapes and compared the results of the tests with the results of similar tests I have made of plaintiff's tapes.

10. The results of these tests clearly establish that the tapes produced by Phoenix met or surpassed the quality of tapes sold under plaintiff's name.

11. That the reason for the aforesaid quality of Phoenix tapes as compared with plaintiff's tapes is that Phoenix extended greater efforts than plaintiff, or those producing tapes for plaintiff, in the field of quality control.

12. That Phoenix has never had a request for a "Capitol" tape and has never sold a tape as a "Capitol" tape or under any name other than Phoenix.

I declare under penalty of perjury that the foregoing is true and correct.

EXECUTED on January 8, 1969, at Los Angeles, California.

Richard W. Erickson

Richard W. Erickson

PROOF OF SERVICE BY MAIL

State of California)
County of Los Angeles) ss

I am a citizen of the United States and a resident of the county aforesaid; I am over the age of eighteen years and not a party to the within entitled action; my business address is:

611 West Sixth Street
Suite 2220
Los Angeles, California 90017

On May 5, 1970, I served the within Petition for a Writ of Certiorari to the California Court of Appeal and Appendix A thereto, under separate cover, on the respondent in said action, by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid, in the United States post office mail box at Los Angeles, California, addressed as follows:

Gang, Tyre & Brown
6400 Sunset Boulevard
Los Angeles, California
90028

I certify that the foregoing is true and correct.

Executed on May 5, 1970, at Los Angeles, California.

Lillian Morse
Lillian Morse

Subscribed and sworn to before me this 5th day of May, 1970.

HELEN KEMBLE
Helen Kemble
Notary Public in and for said County and State.

FILED
MAY 6 1970
JOHN F. DAVIS, CLERK

IN THE

SUPREME COURT OF THE UNITED STATES

October Term, 1970

No. 1535

Richard W. Erickson,
Christopher C. Hamlin,
Patrick Osborn, Edwin
Bathune and Robert Pascual,
doing business as "Phoenix
Tapes",

Petitioners,

vs.

Capitol Records, Inc.,
a California corporation.

Appendix A to

Petition for a Writ of Certiorari to

the California Court of Appeal.

IN THE COURT OF APPEAL OF THE
STATE OF CALIFORNIA

SECOND APPELLATE DISTRICT

DIVISION ONE

CAPITOL RECORDS, INC., a California corporation, Plaintiff and Respondent, v. RICHARD W. ERICKSON, CHRISTOPHER G. HAMLIN, PATRICK OSBORN, EDWIN BETHUNE, and ROBERT PASCUAL, doing business as PHOENIX TAPES, Defendants and Appellants.	Civil No.34107

Appeal from an order of the Superior Court of Los Angeles County. Robert W. Kenny, Judge. Affirmed.

Beardsley, Hufstedler & Kemble, and Arthur Leeds for Defendants and Appellants.

Gang, Tyre & Brown, and Martin Gang and Bruce M. Ramer, for Plaintiff and Respondent.

Defendants (Phoenix, hereinafter) appeal from an order granting a preliminary injunction [1] restraining Phoenix, pending the hearing and determination of the action, from transferring to magnetic tape any performances embodied in phonographic recordings produced and sold by plaintiff recording company (Capitol, hereinafter).

Phoenix contends that the court erred in granting the injunction.

For the purposes of the preliminary injunction, there is no dispute as to the facts. Phoenix is admittedly in the

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[1] An order granting a preliminary injunction is appealable. (See Code Civ. Proc., § 904.1, subd. f; 3 Witkin, Cal. Procedure, Appeal § 22 p. 2165.)

business of selling prerecorded stereophonic tape cartridges, which it produces as follows: Phoenix purchases on the open market records and tapes of musical performances which have been produced, recorded, and sold by Capitol. Phoenix then makes "master" recordings from the records and tapes which it purchased, and uses the master recordings to produce tape cartridges which it sells to the general public.[2/] On the front of each cartridge package Phoenix affixes a label which bears the title of the recorded performance and the names of the performing artists; and,

---

2/ According to Capitol, conduct whereby records are duplicated and sold commercially without permission of the record owner is referred to as "record piracy" in the recording industry. (See "Piracy on Records," 5 Stan. L. Rev. 433.)

on the back of the cartridge package, it affixes a label bearing the following words: "No relationship of any kind exists between Phoenix and the original recording company nor between this recording and the original recording artist. This tape is not produced under a license of any kind from the original company nor the recording artist(s) and neither the original recording company nor artist(s) receives a fee or royalty of any kind from Phoenix. Permission to produce this tape has not been sought nor obtained from any party whatsoever."

It is admitted that Phoenix does not seek or obtain permission of Capitol, or permission of the recording artist, to reproduce the records or tapes; and that Phoenix does not pay any fee or royalty to Capitol, or to the recording artist, or to the welfare and pension funds of

the musicians' union. Phoenix does set aside a "Composers" Trust Account" to which Phoenix contributes two cents "per tune," and from which Phoenix pays the statutory two-cent royalty required to be paid to the copyright proprietor of the musical composition recorded on the tapes sold by Phoenix.

Some of the evidence [3/] in support of the application for the preliminary injunction was in substance as follows:

For many years Capitol has been engaged in the manufacture and sale of records in which the performances of noted

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3/ It was stipulated that all affidavits and declarations on file in the action might be admitted in evidence at the hearing of the application for the preliminary injunction.

recording artists are embodied, and Capitol is a leading manufacturer of such records in the United States and has attained a worldwide reputation as a manufacturer of records of the highest artistic and technical quality. The records manufactured by Capitol are in the form of discs and prerecorded magnetic tapes. The tapes are often sold in the form of tape cartridges, which have recently received substantial acceptance by the public for use in homes and automobiles. In the past ten years, the sales volume of tapes has increased substantially. Since 1965, Capitol has expended in excess of $10,000,000 in recording "master recordings," and has expended in excess of $35,000,000 to advertise and exploit its records. A master recording is the original recorded performance and it is used to manufacture the discs and tapes which are sold.

Among other recordings, Capitol made master recordings of eleven performances by a vocal group known as "The Lettermen," and from those recordings Capitol produced an album entitled "Goin' Out of My Head." The Lettermen granted to Capitol the sole and exclusive right to manufacture and sell records embodying the performances by The Lettermen, and the sole and exclusive right to use the name "Lettermen" in connection with the sale of such records. The cost of producing said album, exclusive of cost for studio time, engineers, and materials, was $25,000. The album was distributed for sale in March 1968 and, as of July 1968, Capitol had derived $500,000 gross receipts from sales of the album. A weekly publication entitled "Cash Box" is a leading publication in the recording industry. It publishes a weekly survey of record sales in the form of a

chart entitled "Top 100 Albums," that lists the albums which, according to statistics, are currently the best selling albums. The chart lists, for each album, the name of the performing artist, the title of the performance, and the name of the manufacturer. Commencing in May 1968 the album "Goin' Out of My Head" appeared on the chart for 16 weeks, and it was in fourteenth position on the chart at its "highest point." Said album also appeared on the "Top 20 LP's chart of "Billboard," another publication in the recording industry. From one of Capitol's albums of "Goin' Out of My Head," Phoenix produced tape cartridges which bore the title "Goin' Out of My Head," and the name of the recording artists, "The Lettermen." Said cartridges also bore the aforementioned label

to the effect that there was no relationship between Phoenix and the original recording company, etc. Phoenix circulated advertisements to wholesale and retail dealers offering to sell tape cartridges of such album and other albums on Billboard's "Top 20 LP's." In May 1968 a representative (Mr. Hamlin) of Phoenix contacted a national distributor of tape cartridges for automobiles and told said distributor that Phoenix was in the business of duplicating records and tape cartridges manufactured by other manufacturers and that Phoenix would sell the duplicated product for less than the price charged by the original manufacturers. Mr. Hamlin offered to sell tape cartridges of "Goin' Out of Head" by "The Lettermen" at a substantial discount. The distributor recognized

the "title" as that of a successful album manufactured by Capitol; and Mr. Hamlin said that it was the intention of Phoenix "to test the law" and that it would be helpful if a national distributor handled the products of Phoenix. The distributor refused to purchase any of the tape cartridges because he desired to acquire "only such product as had been legitimately manufactured and paid for" and which could be acquired "through the normal and customary channels of trade." The distributor stated that the only reason he would consider purchasing Phoenix tape cartridges was his fear that the "pirated tape cartridges" offered by Phoenix might by sold to his competitors at prices substantially under the prices which he would pay for the "legitimate product."

There was also some evidence to the effect that on tape cartridges of the

Lettermen album Phoenix altered the order of the eleven performances of The Lettermen which comprised the album as produced and sold by Capitol;[4/] and that (in opinion of a recording engineer) the quality of the Phoenix tapes was "dubbed off" (reproduced) from a record sold commercially, and the cartridges were of inferior quality, technically and audibly, and were not of the standard of quality maintained by Capitol, which maintains one of the highest technical standards in the recording industry.

Appellant contends that the court and that a state court cannot, on the theory of unfair competition or otherwise, enjoin such conduct.

4/ No alterations were made in the performances as such, or in the title of the album, or in the name of the performers.

In the Sears case, Sears manufactured a pole lamp which was "a substantially exact copy" of a pole lamp manufactured by Stiffel, and Sears sold its pole lamps at a price lower than the price for which the Stiffel lamps were sold. Stiffel's lamp was not patentable under federal law. The trial court found that there was some confusion by the public as to the source of the lamps, and found that Sears was guilty of unfair competition. (To establish a case of unfair competition under Illinois law, it was necessary to prove that there was "palming off" --"likelihood of confusion as to the source of the products.") The Supreme Court stated (pp. 230-231) that "the patent system is one in which the uniform federal standards are carefully used to promote invention while at the same time preserving free competition," and that a state "could not extend. . .

by use of its law of unfair competition to prevent the copying of an article which represents too slight an advance to be patented would be to permit the State to block off from the public something which federal law has said belongs to the public. The result would be that while federal law grants only 14 or 17 years' protection to genuine inventions [citation], States could allow perpetual protection to articles too lacking in novelty to merit any patent at all under federal constitutional standards. This would be too great an encroachment on the federal patent system to be tolerated." The judgment (restraining Sears from selling its lamps) was reversed.

In the Compco case (decided on the same day as the Sears case), Compco manufactured a flourescent lighting fixture

which was substantially identical to a fixture manufactured by Day-Brite. Day-Brite's fixture was not patentable under federal law. The trial court found that there was confusion as to the source of the fixtures (Illinois law) and that Compco was guilty of unfair competition. The Supreme Court held that the order (restraining Compco from selling its fixtures, etc.) was "in conflict with the federal patent laws." It was also said (p.238): "As we have said in Sears, while the federal patent laws prevent a State from prohibiting the copying and selling of unpatented articles, they do not stand in the way of state law, statutory or decisional, which requires those who make and sell copies to take precautions to identify their products as their own. A State of course has power to impose liability upon those who, knowing that

the public is relying upon an original manufacturer's reputation for quality and integrity, deceive the public by palming off their copies as the original."

The opinion in the Sears case, and the opinion in the Compco case, made no reference to a prior decision of the Supreme Court in International News Service v. Associated Press, 248 U.S. 215 [63 L. Ed. 211, 39 S. Ct. 68].[5/] In the International News case, International and Associated were engaged in the "keenest competition" in gathering news. Associated, which gathered news at substantial expense for the benefit of its members, sought an injunction restraining International from "pirating" news gathered by Associated. International argued in

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5/ See Golstein, Copyright, 69 Columbia Law Rev. 49, 71, wherein it is said that the Supreme Court, in the Sears and Compco cases, did not repudiate the International News case.

right of the purchaser of a single newspaper to spread knowledge of its contents gratuitously, for any legitimate purpose not unreasonably interfering with complainant's right to make merchandise of it, may be admitted; but to transmit that news for commercial use in competition with complainant, -- which is what defendant has done and seeks to justify, -- is a very different matter. In doing this defendant, by its very act, admits that it is taking material that has been acquired by complainant as the result of organization and the expenditure of labor, skill, and money and which is salable by complainant for money, and that defendant, in appropriating it and selling it as its own, is endeavoring to reap where it has not sown, and by disposing of it to newspapers that are competitors of complainant's members is appropriating to itself

the harvest of those who have sown. Stripped of all disguises, the process amounts to an unauthorized interference with the normal operation of complainant's legitimate business precisely at the point where the profit is to be reaped, in order to divert a material portion of the profit from those who have earned it to those who have not, with special advantage to defendant in the competition because of the fact that it is not burdened with any part of the expense of gathering the news. The transaction speaks for itself, and a court of equity ought not to hesitate long in characterizing it as unfair competition in business." It was also said (p. 241): "It is to be observed that the view we adopt does not result in giving to complainant the right to monopolize either the gathering or the distribution of the news; or, without complying with the Copyright Act,

to prevent the reproduction of its news articles; but only postpones participation by complainant's competitor in the processes of distribution and reproduction of news that it has not gathered, and only to the extent necessary to prevent that competitor from reaping the fruits of complainant's efforts and expenditure, to the partial exclusion of complainant, and in violation of the principle that underlies the maxim' sic utere tuo,' etc."

In Pottstown Daily News Pub. Co. v. Pottstown Broad. Co. (Pa. 1963) 192 A.2d 657, plaintiff newspaper was granted an injunction restraining defendant radio broadcaster from appropriating new gathered by plaintiff. The court said (p. 663): "Competition in business is jealously protected by the law and the law abhors that which tends to diminish or

stifle competition. While a competitor may, subject to the patent, copyright and trademark laws, initiate his rival's business practices, processes and methods, yet the protection which the law affords to competition does not and should not countenance the usurpation of a competitor's investment and toil . . . [I]nsofar as the News Company pleads that the Broadcasting Company has 'pirated' news items gathered through the special services of the News Company, such states a violation of a property right and a claim of unfair competition which the state courts have jurisdiction to determine." The court also noted (p. 662) that unfair competition originally related to the "palming off" of one's goods as those of a competitor, and said (quoting from A. L. A Schechter Poultry Corp. v. United States, 295 U.S. 495, 531-532 [55 S. Ct. 837, 79

L. Ed. 1570]): "In recent years, its scope has been extended. It has been held to apply to misappropriation as well as misrepresentation."

In Capitol Records v. Mercury Records Corporation (221 F. 2d 657), decided prior to the decisions in Sears and Compco, Capitol obtained the right, from a German company, to manufacture and distribute in the United States records of performances by certain "highly gifted artists." The court stated that the federal copyright act does not extend protection to phonograph records or performances of public domain compositions by virtuosos (see RCA Mfg. Co. v. Whiteman, 114 F.2d 86, 89), and that New York law applied. The court determined that applicable New York law was in the decision in Metropolitan Opera Ass'n v. Wagner-Nichols Recorder Corp., 101 N.Y.S.2d 483, wherein Columbia Records

which had the exclusive right to sell (and had sold) records of certain operas, was granted an injunction to restrain unfair competition by the defendant, which had recorded the performances from broadcasts, and sold the records. The judgment in favor of Capitol was affirmed. (For a discussion of the aforementioned cases, see "Piracy on Records," 5 Stan. Law Rev., 433, 443 et seq.; Golstein, Copyright, 69 Col. Law. Rev. 49 et seq.

After the decisions in the Sears and Compco cases, several courts (state and federal) granted injunctive relief on the ground that misappropriation of unpatentable or uncopyrightable property by a competitor constituted unfair competition (See e.g., Flexitized Inc. v. National Flexitized Corp., 335 F. 2d 774, 781, cert. denied, 380 U.S. 913; Capitol Records, Inc. v. Greatest Records, Inc.,

252 N.Y.S. 2d 553; Columbia Broadcast. Syst. v. Documentaries Unlim. 248 N.Y.S. 2d 809; Flamingo Telefilm Sales, Inc. v. United Artists Corp., 141 U.S.P.Q. 461 [reversed on other grounds, 254 N.Y.S. 2d 36].) A commentator (Golstein, Copyright, supra, p. 72) in discussing those cases in relation to Sears and Compco, said: "State courts and lower federal courts, sitting in diversity jurisdiction, have, not unexpectedly, relied upon the misappropriation-common law copyright nexus as a facile means for escaping the broad dictates of Sears and Compco. Specifically, lower court decisions have read the cases as prohibiting state injunctions against copying but not against appropriations -- the distinction being between the duplication of one's work by another -- copying -- and 'the use of the identical

product for the profits of another' -- misappropriation. Thus, for example, where the defendant, without authority, dubbed plaintiff's recorded performance, the fact that the copying of a phonograph record was involved was deemed immaterial; after referring to Sears and Compco, the court concluded that the 'only issue presented hereon is whether defendants may appropriate the performance contained on plaintiff's phonograph records. In another post-Sears and Compco case, which involved the unauthorized recording of an announcer's newscast, the court, after determining that a 'broadcaster's voice and style of talking is, to all intents and purposes, his . . . property,' held that 'What was here done was not copying of some article or goods made and sold by another but rather the appropriation of the very product itself,

taking in effect the original and incorporating it in the record.'"

In Capitol Records, Inc. v. Greatest Records, Inc., supra, (252 N.Y.S. 2d 553, 555-556), it was said: "It is undisputed that prior to the Sears, Roebuck and Compco cases, supra, the law of this State protected the plaintiff from unauthorized reproduction of performances embodied on a master recording, basing such protection upon the doctrines of unfair competition, common law copyright or unlawful interference with contract. [Citations.] Sears, Roebuck & Co. v. Stiffel Co., supra, dealt with the sale to the public by defendant of a lamp which was "substantially identical" (376 U.S. 225, 226, 84 S. Ct. 784) to that produced by plaintiff. Compco Corp. v. Day-Brite Lighting, supra, dealt with the same

of an imitation of plaintiff's lighting fixture which allegedly was distinctive in design. Neither of those learned decisions stands for the proposition that this plaintiff is not entitled to protection against the unauthorized appropriation, reproduction or duplication of the actual performances contained in its records." It was also said (p. 550), quoting from the opinion in Columbia Broadcasting System, Inc. v. Documentaries Unlimited, Inc. supra, p. 812: "In these unfair competition 'copying' cases (Sears, Roebuck and Compco cases) the Supreme Court held that when an article is unprotected by a patent or a copyright, state law may not forbid others to copy the article. But it was pointed out that state law, statutory or decisional, may in appropriate circumstances grant relief where deceptive or fraudulent practices are shown, such as in palming off one's goods as those of another : . . . .

erred in granting the preliminary injunction. It argues in effect that its conduct in duplicating recordings produced by Capitol, without permission of Capitol or the recording artists, and then selling the duplicated recordings in competition with Capitol, is condoned by the decisions in Sears, Roebuck & Co. v. Stiffel Company, 376 U.S. 225 [11 L. Ed.2d 661, 84 S.Ct. 784], and Compco Corp. v. Day-Brite Lighting, Inc. 376 U.S. 234 [11 L.Ed.2d 669, 84 S.Ct. 779] It is equally clear that the right of an author or proprietor of an unpublished work to common law protection and the application of state law of unfair competition in that field remains unaffected by these decisions or the principles set forth in these opinions . . . [T]he well-settled rule is that public performance of a work,

such as . . .singing of a song,. . . whether given in public or over the radio or television, is not such a general publication as constitutes a dedication to the public or places it in the public domain with consequent loss of copyright [citing cases] . . . Actually, what was here done was not the copying of some article or goods made and sold by another but rather the appropriation of the very product itself . . . (emphasis added)."

In another case (Grove Press, Inc. v. Collectors Publication, Inc. [264 F. Supp. 603]) decided after the Sears and Compco cases, defendant reproduced, by photocopy and offset lithography, a book published by plaintiff, and sold the reproductions in competition with plaintiff. The book was in the public domain (plaintiff acquired the right to publish it from a German company). The court granted a preliminary injunction restraining

defendant from publishing the reproduced copies and said (p. 606): "The words in an uncopyrightable book are in the public domain and may be copied by anyone without infringing any copyright. Such copying, alone, does not constitute unfair competition. Sears, Roebuck & Co. v. Stiffel, 376, U.S. 225 84 S. Ct. 784, 11 L. Ed. 2d 661 (1964); Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234, 84 S. Ct. 779, 11 L. Ed. 2d 669 (1964). . . Unfair appropriation of the property of a competitor is unfair competition and redressable in a situation of this kind despite the holdings in Sears, Roebuck & Co. v. Stiffel, supra, and Compco Corp. v. Day-Brite Lighting, Inc., supra. Greater Recording Co. v. Stambler, 144 U.S.P.Q. 547 (N.Y. Sup. Ct. 1965); Flamingo Telefilm Sales, Inc. v. United Artists Corp.,

141 U.S.P.Q. 461 (N.Y. Sup. Ct. 1964, rev'd on other grounds, 22 A.D. 2d 778, 254 N.Y.S. 2d 36 (1964); cf Cable Vision, Inc. v. KUTV, Inc., 335 F. 2d 348 351 (9th Cir. 1964). Defendants' first edition is more than mere copying of Plaintiff's work, the Grove edition. In view of Plaintiff's expenditure of substantial sums in setting type and engraving plates, it would constitute unfair competition for Defendants to appropriate the value and benefit of such expenditure to themselves by photographing and reproducing Plaintiff's book through the offset-lithography process, thereby cutting their own costs and obtaining an unfair competitive advantage. See International News Service v. Associated Press, 248 U.S. 215, 39 S. Ct. 68, 63 L. Ed. 211 (1918)."

In Bond Buyer v. Dealers Digest Publishing Co. 267 N.Y.S. 2d 944, decided in

1966 (after decisions in Sears and Compco) plaintiff was engaged in the business of gathering information regarding municipal bonds and disseminating that information to its subscribers by means of a newsletter and a wire service. Defendant, a competitor of plaintiff, appropriated information from the wire service. The court granted an injunction enjoining defendant from using such information, and said (p. 945): "It is now no longer subject to question that there is a property in the gathering of news which may not be pirated (International News Service v. Associated Press, 248 U.S. 215, 39 S. Ct. 68, 63 L. Ed. 211)."

In California, section 3369, subdivision 3, of the Civil Code provides that unfair competition "shall mean and include unlawful, unfair or fraudulent business practice and unfair, untrue or misleading

advertising and any act denounced by Business and Professions Code Sections 17500 to 17535, inclusive." (The amendment of that section in 1963 included the addition of the word "unlawful.") In McCord Co. v. Plotnick (1951), 108 Cal. App. 2d 397, 395 [239 P. 2d 37], it was said that "in an action for injunctive relief against unfair competition it is unnecessary to prove that defendant's conduct was fraudulent since Civil Code, section 3369, declares that unfair competition shall 'include unfair or fraudulent business practices.'" In that case, plaintiff sought to enjoin defendant (a competitor) from appropriating to defendant's use credit information gathered by plaintiff. The court quoted extensively from the opinion in International News Service v. Associated Press, supra, to the effect that a court of equity will enjoin the misappropriation for profit of news ga-

thered by a competitor at substantial cost, and affirmed the judgment against defendant. (See Hesse v. Grossman, 152 Cal. App. 2d 536, 541-542; 47 Cal. Jur. 2d, Trademarks, etc., § 33, p. 759, wherein it is said: "Unfair appropriation of the valuable efforts of another may be unfair competition. Thus, piracy of news acquired by another fairly and at substantial cost is actionable.")6/

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In "Piracy on Records," supra, 5 Stan. Law Rev. 433, 450-451, it is said: "Unfair competition as we know it today is the product of this century. Historically, it is rooted in the law of trade marks, trade names and deceit. But it has outgrown them with the development of more complex business relationships and corresponding malpractices. The modern unfair-competition case often presents a very complicated factual picture. Opinions of the courts frequently do not distinguish among the various practices commonly labeled unfair competition: Palming off, wrongful injury (without misrepresentation) to another's established reputation and good will, and misappropriation of the products of another's expenditure and good will." (Italics added.)

It is noted further that in 1968 the California Legislature enacted section 653h of the Penal Code, which provides in part as follows: "(a) Every person is guilty of a misdemeanor who: (1) Knowingly and willfully transfers or causes to be transferred any sounds recorded on a phonograph record, disc, wire, tape, film, or other article on which sounds are recorded, with intent to sell or cause to be sold, or to use or cause to be used for profit through public performance, such article on which such sounds are so transferred, without the consent of the owner." Thus, the Legislature has in effect provided that "record piracy" is a misdemeanor.

In the present case, as above shown, Capitol expends substantial effort, skill

and money in selecting performing artists and obtaining the exclusive right to record their performances, in mechanically reproducing their performances on discs and tapes of the highest quality, and in promoting the sale of the tapes and discs. Phoenix acquires the finished tapes and discs at nominal retail cost, reproduces them on inferior tape cartridges at little cost, labels the cartridges with the same title and the same name of the performing artists as appear on the Capitol recordings, and sells the cartridges in competition with, and at a substantially lower price than, the discs and tapes sold by Capitol. It is obvious that Phoenix is able to sell the cartridges at such lower price, and still gain substantial profit, because Phoenix circumvents the necessity of expending skill and money in acquiring the artists and recording their performances. Thus Phoe-

nix unfairly appropriates artistic performances produced by Capitol's efforts, and Phoenix profits thereby to the disadvantage of Capitol. Such conduct by Phoenix is unfair in competition within the rulings in several of the above-cited cases. Moreover, although Phoenix applies a label on the back of its cartridges in effect disclaiming any connection with Capitol or the performing artists, such disclaimer of itself does not negate "palming off" or confusing the public as to the source of the recorded performances -- the front of Phoenix's cartridges bears the same title (i.e. "Goin' Out of My Head") and the names of the same performing artists (i.e. "The Lettermen") as appear on the discs and tapes sold by Capitol and as appear on the discs and tapes sold by Capitol and as appear in leading publications in

the recording industry as having been produced by Capitol. Thus, there is a question of fact for the court at the trial regarding a permanent injunction as to whether Phoenix's conduct constituted "palming off" or confusion of the public as to the source of the recorded performances.

Phoenix's argument that the state court cannot restrain such unfair competition is not sustainable. Under some of the above-cited cases, state law, statutory or decisional, may in some circumstances grant relief where deceptive or fraudulent competitive practices are conducted, such as circumstances where one palms off his products as those of his competitor, or where he unfairly appropriates to his profit the valuable efforts of his competitor. Phoenix applies as a test

the right of Capitol as against the public, instead of considering as a test the rights of Phoenix and Capitol, competitors in business, as between themselves. Phoenix has not merely copied or imitated discs or tapes produced by Capitol, rather, Phoenix has appropriated the product itself -- performances embodied on the records. In addition, Phoenix has appropriated the titles of the performances (see Gordon v. Warner Bros. Pictures, Inc.,[a/] 269 Cal. App. 2d_____, _____[_____ Cal. Rptr. _____]; Jubilee Industries, Inc. v. Roulette Records, 153 U.S.P.Q. 431), and has appropriated the name of the recording artists (see Fairfield v. American Photocopy, etc. Co., 138 Cal. App. 2d 82, 86 [291 P. 2d 194]).

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Advance Report Citation: 269 A.C.A. 26, 30, 33-34.

It is reasonable to conclude that permitting such appropriation would discourage invention and free competition -- and that those engaged in the recording industry, would be inclined not to utilize their skill and efforts, and expend large amounts of money, introducing unique recordings, but would wait for a recording to be produced, and then duplicate it and sell it, at minimum effort and expense. The trial court herein did not err in granting the preliminary injunction.

The order (granting preliminary injunction) is affirmed.

WOOD, P. J.

We concur:

LILLIE, J.

THOMPSON, J.

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IN THE

Supreme Court of the United States

October Term, 1969
No. 1535

RICHARD W. ERICKSON, *et al.*,

Petitioners,

vs.

CAPITOL RECORDS, INC.,

Respondent.

On Petition for a Writ of Certiorari to the California Court of Appeal, Second Appellate District.

RESPONDENT'S BRIEF IN OPPOSITION.

Proceedings Below.

The opinion of the California Court of Appeal is reported at 2 Cal. App. 3d 526, 82 Cal. Rptr. 798 (1969). Hearing in the Supreme Court of the State of California was denied on February 5, 1970, see 82 Cal. Rptr. at 798.

Jurisdiction.

Petitioners seek to invoke the jurisdiction of this Court under 28 U.S.C. §1257(2); since the validity of a state statute is not in issue, we assume that petitioners intended to rely, instead, upon 28 U.S.C. §1257 (3).

Question Presented.

Respondent contends that the decision below is not final and that there are adequate state grounds on which it was based. Only if petitioners can overcome these infirmities in their Petition is the following federal question presented:

May a state, despite *Sears*[1] and *Compco*,[2] prohibit the unauthorized appropriation and duplication in commercial quantities of performances embodied on a phonograph record, whether under unfair competition, common-law copyright or other applicable state law?

Statement.

Petitioners are admittedly engaged in conduct commonly called "record piracy." They obtain a "hit" record and by simple electronic means transfer and duplicate, without authority or payment, the performances embodied therein onto tapes which are then sold commercially. [See Clerk's Transcript, hereinafter "C.T." 12-13; see also 2 Cal. App. 3d at 528, 82 Cal. Rptr. at 799].

Respondent Capitol Records, Inc. ("Capitol") is a leading manufacturer of phonograph records of both disc and tape varieties. [C.T. 8-9.] Capitol enters into contracts with performing artists in which Capitol is granted the exclusive right to manufacture and sell records embodying the artists' performances, the complete ownership of these performances, and the exclusive right to use the artists' names in connection with the sale of such records. [C.T. 2.] Capitol's agreement

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[1]Sears, Roebuck & Company v. Stiffel Co., 376 U.S. 225 (1964).

[2]Compco Corp. v. Day-Brite Lighting, Inc., 376 U.S. 234 (1964).

with "The Lettermen," a prominent recording group whose records are in great demand, is one such agreement.

The production of master recordings used in record manufacture is costly, and Capitol expends large sums in this phase of its business, which includes maintenance of recording studios and utilization of the services of highly-skilled personnel. Capitol prepares and packages record albums containing a number of recorded performances, and selects a title for marketing these albums. In this fashion, a number of performances by The Lettermen were incorporated into an album ("Lettermen album") to which Capitol assigned the title "Goin' Out Of My Head." The Lettermen album was successful; prior to issuance of the preliminary injunction, over 200,000 copies had been distributed, and Capitol's gross receipts from this album were in excess of $500,000. [C.T. 8-15.]

Upon selling its records, Capitol incurs substantial additional liabilities. Based upon its sales, it pays royalties to the performing artists, fees to trust and pension and welfare funds maintained by the performers' unions and guilds, and copyright royalties to the copyright proprietors of the musical compositions which are embodied on the album.[3] [C.T. 3.]

Capitol also has spent millions to advertise and promote its artists and records, including The Lettermen

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[3]Despite petitioners' pious claim that they are prepared to pay the compulsory royalty to the copyright proprietors of the compositions embodied on their pirated tapes, as required by 17 U.S.C. §1(e), a search of the records of the Copyright Office discloses that petitioners have not as yet even taken the preliminary step of filing a Notice of Intention to Use the copyrighted compositions embodied in the Lettermen album, as required by 17 U.S.C. §101(e). Petitioners do not even claim to pay artists' royalties and union fees.

album. This advertising and exploitation associates the names of Capitol's artists with the titles of Capitol's albums and with Capitol and its trademark or "label." As a result, the public associates the album titles designated by Capitol with the featured artists, and the titles and artists with Capitol. In the marketplace, records are customarily requested and ordered by reference to the artists' names and the album title. [C.T. 10.]

In their "business" of record piracy, petitioners have admittedly duplicated, among others, the actual performances embodied on The Lettermen album, by transferring them electronically from a Capitol record which they acquired to tape cartridges which they then marketed in quantity under the original artist designation and album title used by Capitol, all without license or authority. [C.T. 11-13.]

This action was commenced to prevent petitioners from deliberately duplicating Capitol's recordings in commercial quantities and for commercial purposes. Rights to record a particular musical composition and to broadcast (or "play") recordings are not involved. Neither is petitioners' right to produce recordings utilizing their own artists, musicians and technicians; they may use the same compositions recorded by Capitol (or anyone else), but the compulsory license provisions of the Copyright Act (17 U.S.C. §1(e)) which give petitioners the right to make their own recordings do not countenance the unlicensed transfer of recorded performances from phonograph records produced by Capitol to those offered for sale by petitioners.

Respondent Capitol sought a temporary restraining order upon filing this action and thereafter a preliminary injunction. Both were granted. [C.T. 83, 93, 95-

97.] Petitioners appealed from the order granting the preliminary injunction *pendente lite* [C.T. 100], which was affirmed by the California Court of Appeal on principles of California law; the California Supreme Court declined to review the case, so that the Petition seeks review of the decision of California's intermediate appellate court.

In the Petition for Writ of Certiorari, and particularly in their statement of the Case [Pet. 5-8] and Appendix C, petitioners set forth as though uncontroverted fact numerous assertions supported only by documents which are merely self-serving (but never conceded) declarations in the Clerk's Transcript of petitioners, their attorneys or witnesses, and numerous other assertions which have no support whatever in the record before this Court.

ARGUMENT.

1. Petitioners Seek Review of an Interlocutory Order and Not of a Final Judgment.

The decision of the California Court of Appeal below affirmed the trial court's granting of a prelimary injunction, *pendente lite*. [C.T. 95-97.] In affirming, the appellate court expressly noted the necessity for further trial proceedings on the important related issues of "palming off" and confusion as to source. 2 Cal. App. 3d at 537, 82 Cal. Rptr. at 806. These further proceedings have not taken place, and the decision below is thus not a reviewable final judgment within the meaning of 28 U.S.C. §1257.

Petitioners argue that respondent somehow has the power to prevent the final determination of the case on the merits and to keep them, by means of one or a series of preliminary injunctions, from ever obtaining a final judgment which would be reviewable.

Sheer nonsense. A defendant, as well as a plaintiff, in California can have a case set for trial (see California Rules of Court 206, 207 and 220, quoted in Appendix 1 hereto), and this case is even entitled to a priority in setting, see California Code of Civil Procedure, §527.

The rule governing finality of judgments applicable to this case is stated in *Montgomery Bldg. & Const. Trades Council v. Ledbetter Erection Co., Inc.*, 344 U.S. 178, 181 (1952):[4]

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[4]Although the doctrine of the Ledbetter case has been limited in circumstances involving the exclusive power of the NLRB, the basic rule regarding the finality of reviewable judgments as enunciated in Ledbetter has remained unaffected.

> "It is argued that if this is not held to be a final decree or judgment and decided now, it may never be decided, because to await the outcome of the final hearing is to moot the question and to frustrate the picketing. However appealing such argument may be, it does not warrant us in enlarging our jurisdiction. Only Congress may do that. Furthermore, the interlocutory decree could have been readily converted into a final decree, and the appeal could have proceeded without question as to jurisdiction just as effectively and expeditiously as the appeal from the interlocutory injunction was pursued in this case."

Petitioners seek to excuse this prematurity in their seeking certiorari by arguing, in Appendix C to their Petition, that the preliminary injunction is virtually a determination on the merits since a trial would be a mere formality. The authorities cited by petitioners in support of this contention are inapplicable to this case. *Amalgamated Food Employees Union Local 590 v. Logan Valley Plaza, Inc.*, 391 U.S. 308 (1968), involved review of an injunction issued after a trial on the merits and which was to remain in effect permanently unless modified; here only a temporary injunction *pendente lite* is before the Court.

In *Mercantile National Bank at Dallas v. Langdeau, Receiver*, 371 U.S. 555 (1963), the Court accepted an important question of venue, a procedural issue, for determination "anterior to the merits." 371 U.S. at 558. Similarly, in *Local No. 438 Construction & General Laborers' Union AFL-CIO v. Curry*, 371 U.S. 542, 549 (1963), the first ground of decision was that the issue before the court was " 'separable from and collateral to rights asserted in the action . . .' " Nothing

similar is involved here, and all unresolved issues of fact and law are closely interwoven.

Further, *Curry* and *Mills v. Alabama*, 384 U.S. 214 (1966), each involved a concession by the petitioner of all the operative facts on which the case would turn. Petitioners apparently seek to avail themselves of this procedure by now admitting that they have "been engaged in the proscribed conduct." Pet. Appendix C 9-10. However, despite petitioners' purported "concession" as to the fact of their engaging in record piracy, there still remain both factual and legal issues which arise from the use by petitioners of the names of Capitol's recording artists and the titles of Capitol's phonograph record albums to identify petitioners' pirated tapes, and from the effect, if any, of the so-called "disclaimer" quoted at C.T. 88. As stated in the opinion of the court below, 2 Cal. App. 3d at 537, 82 Cal. Rptr. at 806, petitioners' conduct raises a "question of fact for the court at the trial regarding a permanent injunction as to whether [petitioners'] conduct constituted 'palming off" or confusion of the public as to the source of the recorded performances."

Even the Declaration of Richard W. Erickson quoted by petitioners in Appendix C-1 to the Petition (which declaration is not even in the record before this Court), indicates the still unresolved issue of the comparative quality of petitioners' and Capitol's tapes, raised by respondent at the initial stages of this case to indicate the importance of protecting the consuming public from petitioners' deceptive trade practices and inferior products.

Petitioners are therefore inexorably placed on the horns of a dilemma. Either their concession as to their

conduct still leaves unresolved material issues of fact and law, in which event their Petition is premature as not seeking review of a final judgment; or, if their concession is final, dispositive and covers all material issues, then the questions of "palming off" and confusion as to source must be considered as having been decided in favor of Capitol and there are then adequate state grounds for the decision below. This Court, in *Sears,* expressly stated that "a State may, in appropriate circumstances, require that goods, whether patented or unpatented, be labeled or that other precautionary steps be taken to prevent customers from being misled as to the source . . ." 376 U.S. at 232. See also the similar expression in *Compco,* 376 U.S. at 238.

Since petitioners raise questions in their Petition (pp. 40-47) as to the sufficiency of the evidence of confusion or "palming off" (indeed respondent, plaintiff below, has not yet had an opportunity to present its evidence on these questions), it is apparent that they did not intend their "concession" to encompass all material issues. Petitioners' major argument against prematurity must accordingly fail.

2. Recorded Performances Are Now and Always Have Been Protectible Under State Law.

Petitioners' case is founded on the premise that the California Court of Appeal erred because (a) Capitol's records are not copyrighted under federal law and have been sold by Capitol on the open market, and (b) federal law, since the decisions in *Sears* and *Compco,* abrogates a state's power to do anything about record piracy in which petitioners admittedly engage. As

shown below, neither of these arguments can be sustained.

a. Petitioners Derive No Right to Appropriate Capitol's Recorded Performances Merely Because Capitol's Records Are Sold Publicly and Are Not Subject to Federal Copyright.

All parties agree that recorded performances are not presently covered by federal copyright protection. From this, petitioners attempt to make a derivative point that therefore recorded performances are not protected at all and are in the public domain. The law is to the contrary.

Federal copyright law expressly reserves to the states the protection of what is referred to as "common law copyright."

> "Nothing in this title shall be construed to annul or limit the right of the author or proprietor of an unpublished work, at common law or in equity, to prevent the copying, publication, or use of such unpublished work . . ." 17 U.S.C. §2.

The sale of phonograph records embodying a recorded performance does not constitute a divesting, or "general," publication of such recorded performance. *Capitol Records, Inc. v. Mercury Records Corp.*, 109 F. Supp. 330 (S.D.N.Y. 1952), *aff'd* 221 F. 2d 657 (2d Cir. 1955),[5] *Capitol Records, Inc. v. Greatest Records, Inc.*,

[5]Cited hereafter simply as the "Capitol-Mercury" case. In this case, two reputable record companies purported to acquire from two different grantors the rights to manufacture the same record. However, while Capitol's grantor had the rights it granted to Capitol, Mercury's grantor did not, although Mercury's good faith was not in issue. Notwithstanding the fact that Capitol manufactured and sold copies of the record, Mercury was enjoined from manufacturing the same record, even from its own purchased "master." *A fortiori*, the case squarely prevents petitioners from pirating Capitol's records without any color of right.

43 Misc. 2d 878, 252 N.Y.S. 2d 553 (Sup. Ct. 1964); *Waring v. WDAS Broadcasting Station,* 327 Pa. 433, 194 Atl. 631 (1937); see *Ferris v. Frohman,* 223 U.S. 424 (1912) (public performances of play not general publication); and see *King v. Mister Maestro, Inc.,* 224 F. Supp. 101 (S.D.N.Y. 1963) (delivery of Rev. King's "I Had A Dream" speech over nationwide radio and television and in newsreels not a general publication).

Petitioners' authorities do not support their contention otherwise. *RCA Mfg. Co. v. Whiteman,* 114 F. 2d 86 (2d Cir. 1940) was overruled by the Second Circuit in the *Capitol-Mercury* case (221 F. 2d at 663) and is inapplicable in any event. The case did not concern any asserted right to transfer performances embodied on records; it involved merely the right to broadcast such recorded performances by radio. Thus the records were only "played." As the Second Circuit stated, they were in fact "intended for that purpose and for that alone." 114 F. 2d at 88. *Shapiro, Bernstein & Co. v. Miracle Record Co.,* 91 F. Supp. 473 (N.D. Ill. 1950) and *Mills Music v. Cromwell Music, Inc.,* 126 F. Supp. 54 (S.D.N.Y. 1954) involved only the musical material as distinguished from the particular recorded performance.[6]

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[6]Petitioners also cite to the Second Circuit's decision in Fashion Originators Guild v. Federal Trade Com'n (114 F.2d 80 (1940)) as authority for their argument that sale of phonograph records constitutes a divesting publication. This Court (312 U.S. 457 (1941)) apparently found so much of Judge Hand's discussion as dealt with publication to be unnecessary to the decision and treated it as a state, not federal, question. Moreover, the case dealt with design elements which were copied, not performances which were appropriated. If the instant matter dealt with the design rather than the embodied performances of phonograph records, the dicta might be relevant.

Thus, petitioners' assertion that the recorded performances are in the public domain is erroneous and the *Sears* case in footnote 7 (376 U.S. at 231) notes the reservation to the states of the rights being asserted by Capitol herein.

Petitioners attempt to construct a major constitutional issue by baldly claiming that public sale of phonograph records constitutes a divesting publication of the recorded performance so that 17 U.S.C. §2 is inapplicable. However, since this claim has been rejected by an unbroken line of holdings to the contrary, there is no such issue. Similarly, petitioners' purported "policy" arguments based upon federal copyright law, ignore the significance of the reservation of rights to the states under 17 U.S.C. §2 and the policy considerations implicit therein. Thus the statutory scheme itself accommodates the states' interests and activity in the field of copyright. No wonder that, as petitioners complain, the court below did not feel compelled to discuss issues of federal constitutionality and policy; state law being applicable, such issues had no bearing on its decision.

b. The Sears and Compco Decisions Do Not Apply and in Any Event Do Not Sanction Record Piracy.

It is thus clear that state law is applicable and that Congress itself has reserved to the states the protection of recorded performances. See *Fashion Originator's Guild v. Federal Trade Com'n,* 312 U.S. 457, 468 (1941) (copying of dress designs). Accordingly, *Sears* and *Compco* do not reach this case. The decisions are in accord, including *RCA Mfg. Co. v. Whiteman, supra,* relied on by petitioners and the

Capitol-Mercury case, both of which specifically held state law applicable to the protection of performances embodied on phonograph records.

In any event, *Sears* and *Compco* are factually distinguishable in that they hold only that where property is not protected by a patent, anyone may imitate or simulate the product. The defendants in *Sears* and *Compco* merely examined plaintiffs' products and then, using their own labor, capital and skill, manufactured their own distinct product as an imitation of plaintiffs' product. *But the very thing itself was not appropriated.*

The product of Capitol which has been taken—not merely copied—by petitioners is the thing of value itself—the exact combination of sounds embodied on Capitol's phonograph record.

Indeed, the language of the *Sears-Compco* court stresses the distinction. There is constant reference to copying the design of plaintiff's lighting fixtures. See, *e.g.* 376 U.S. at 230, 231.

Sears and *Compco* could be analogous if petitioners had imitated Capitol's recordings. That is, had petitioners listened to a Capitol album and then hired and paid performers, musicians, arrangers, engineers and technicians, paid for recording studio facilities and manufactured their own distinct product which strove to sound like Capitol's records, *Sears* and *Compco* might obtain.

But that is not this case. Petitioners have not merely imitated Capitol's product, as Sears, Roebuck did the Stiffel pole lamp. They have chosen to duplicate in large quantities from Capitol's recordings the

very performance which is Capitol's product, utilizing as well, and inevitably trading upon, Capitol's titles and artists.

While there is no post-*Sears-Compco* appellate decision involving records other than this case, *Sears* and *Compco,* and their progeny, have not rendered record piracy legitimate. In analogous circumstances, a federal district court has also rejected the argument advanced by petitioners based on those cases. *Grove Press, Inc. v. Collectors Publication, Inc.,* 264 F. Supp. 603 (C.D. Cal. 1967) (photocopying and reproduction of plaintiff's uncopyrighted book), which held:

> "Unfair appropriation of the property of a competitor is unfair competition and redressable in a situation of this kind despite the holding in Sears, Roebuck & Co. v. Stiffel, supra, and Compco Corp. v. Day-Brite Lighting, Inc., supra. Greater Recording Co. v. Stambler, [citation]; Flamingo Telefilm Sales, Inc. v. United Artists Corp., [citation]; cf. Cable Vision, Inc. v. KUTV, Inc., [citation].
>
> "Defendants' first edition is more than mere copying of plaintiff's work, the Grove edition. In view of Plaintiff's expenditure of substantial sums in setting type and engraving plates, it would constitute unfair competition for Defendants to appropriate the value and benefit of such expenditure to themselves by photographing and reproducing Plaintiff's book through the offset-lithography process, thereby cutting their own costs and obtaining an unfair competitive advantage. See International *News Service v. Associated Press,* [citation]." (*id.* at 606-07).

See also *Pottstown Daily News Pub. Co. v. Pottstown Broadcasting Co.*, 247 F. Supp. 578 (E.D. Pa. 1965), and *Capitol Records, Inc. v. Greatest Records, Inc.*, 43 Misc. 2d 878, 252 N.Y.S. 2d 553 (1964).

In support of their *Sears-Compco* contention, petitioners cite and principally rely upon five cases, none of which is in point.

i. *G. Ricordi & Co. v. Haendler*, 194 F. 2d 914, 2d Cir. (1952). First, this case was decided by the Second Circuit prior to that court's decision in *Capitol-Mercury* (discussed in note 5, above), which enjoined even good faith record duplication. The case was expressly decided upon the basis that the federal statutory copyright in the work had expired. Had there been no copyright, as in the case of a recorded performance, the court itself noted it would have had to refer to state law and might have reached a contrary conclusion.

ii. *Cable Vision, Inc. v. KUTV, Inc.*, 335 F. 2d 348 (9th Cir. 1964), *cert. den.* 379 U.S. 989 (1965) relates to so-called community antenna television ("CATV"), and held that CATV was not engaged in unfair competition, relying upon *Sears* and *Compco*.

The case is hardly authority for the proposition that petitioners may, with judicial blessing, engage in record piracy. Duplication was not involved in *Cable Vision*, and the distinction between CATV and record piracy is the difference between extending the reach of a television broadcast and physically duplicating a phonograph record. Both the Ninth Circuit in *Cable Vision* and this Court in the *Fortnightly* case[7] made

[7]Fortnightly Corp. v. United Artists Television, Inc., 392 U.S. 390 (1968) which held, under the circumstances, that CATV

(This footnote is continued on the next page)

abundantly clear that the defendants in those cases were engaged not in any kind of physical duplication, but only in putting up a larger antenna and running a longer cable to the television set. Notably, the Court of Appeals in *Cable Vision* cited, with apparent approval, *Flamingo Telefilm Sales Co., Inc. v. United Artists Corp.*,[8] where the court, in enjoining one who had physically incorporated a portion of the plaintiff's motion picture into a television program, stated:

> "Whether this cause be denominated as sounding in 'unfair competition' or 'intentional interference with economic or contractual relations,' this court cannot, in view of the background of jurisprudence and decisional law in this area, hold that these recent decisions [*Sears* and *Compco*] which involved distinguishable factual situations, wiped clean the slate of precedent and empowered the unauthorized appropriation of artistic performances to the profit of others." 141 U.S.P.Q. at 462.

iii. *Angell Elevator Lock Company v. Manning*, 348 Mass. 623, 205 N.E. 2d 245 (1965). This case involves copying of the details of form and appearance of another's product, and not its appropriation. As in *Sears* and *Compco*, the defendant merely set out to manufacture its own product designed to look and operate like the plaintiff's product. But at least defendant, having studied plaintiff's product, manufactured its own,

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was not a copyright infringer. Notably, just a few weeks before, the Court had held CATV subject to FCC regulation in United States v. Southwestern Cable Co., 392 U.S. 157 (1968).

[8]141 U.S.P.Q. 461 (Sup. Ct. N.Y. 1964). After the Ninth Circuit's decision in Cable Vision, the Flamingo Telefilm case was reversed on procedural grounds. 22 App. Div. 2d 778, 254 N.Y.S. 2d 36 (1964).

and Massachusetts law historically has permitted wide latitude in industrial copying. 348 Mass. at 626, 205 N.E. 2d at 248. The court indicated that equitable relief would be available if "more than mere copying of 'details of form and appearance'" were present. *Ibid.*

iv. *Columbia Broadcasting System, Inc. v. DeCosta*, 377 F. 2d 315 (1st Cir.), *cert. den.* 389 U.S. 1007 (1967), which involved the claim that the "Palladin" character in the CBS television series "Have Gun, Will Travel" was copied from a character which plaintiff DeCosta created and portrayed "live." Apart from any *Sears-Compco* application, relief was denied on purely state grounds, and further if the character were sufficiently delineated to have merited protection, it had been printed on uncopyrighted cards that had been generally published.

v. *Smith v. Chanel, Inc.*, 402 F. 2d 562 (9th Cir. 1968). This case concerned an issue of comparative advertising, plaintiff having conceded that defendants had "the right to copy, if they can" the plaintiff's formula for perfume. 402 F. 2d at 563. Product imitation, not appropriation, was involved. We, too, have repeatedly noted that petitioners herein might well have the right to record themselves the same compositions in the same style as does Capitol, but not to electronically transfer the performances embodied in Capitol's records.

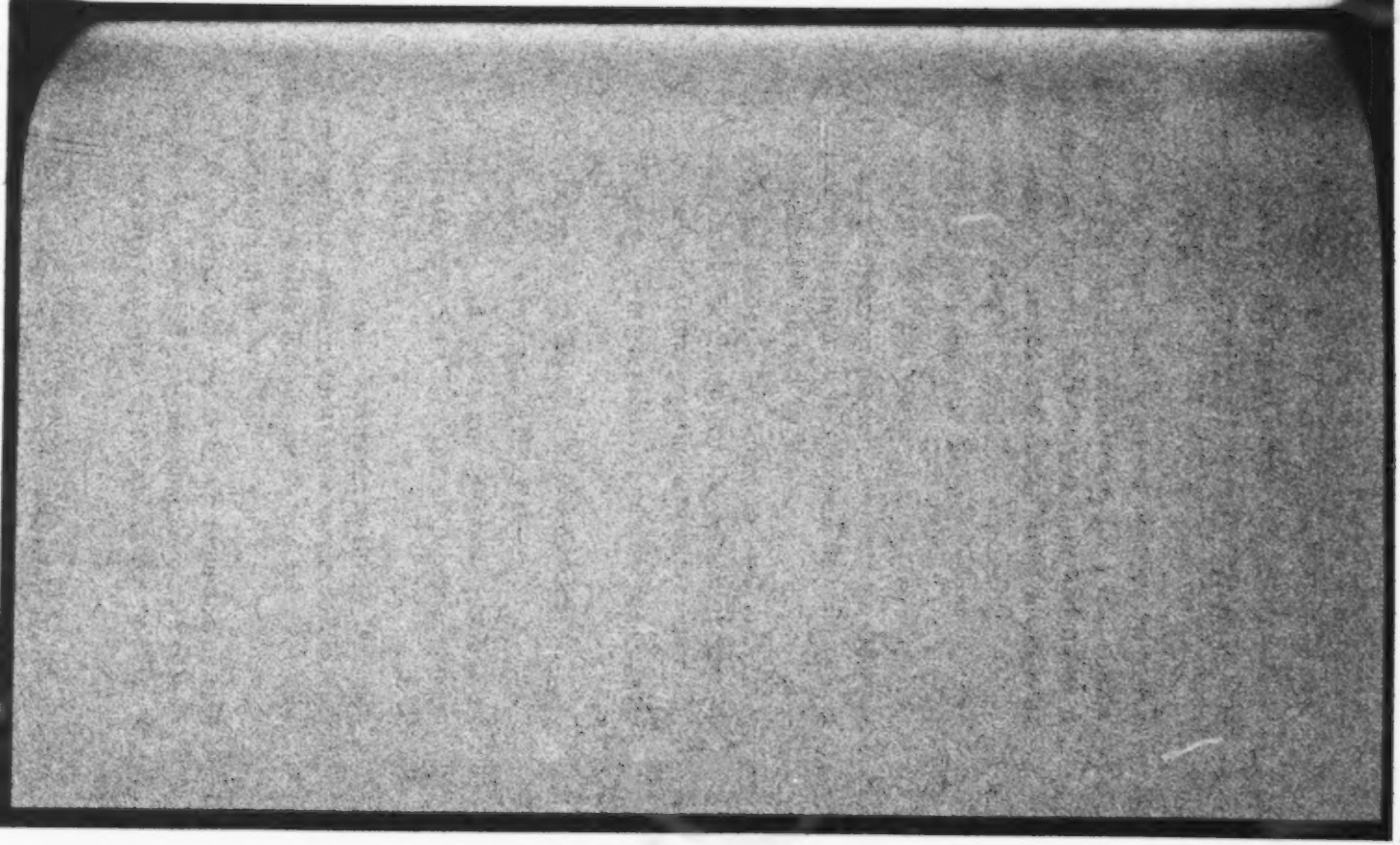
None of the cases relied on by petitioners involves such flagrant commercial immorality as is present here. Petitioners are engaged in parasitic conduct of a nature made possible only by the electronic techniques of our times which permit unlimited duplication of recorded performances derived from the purchase of a single record. As the court below admonished, permitting such

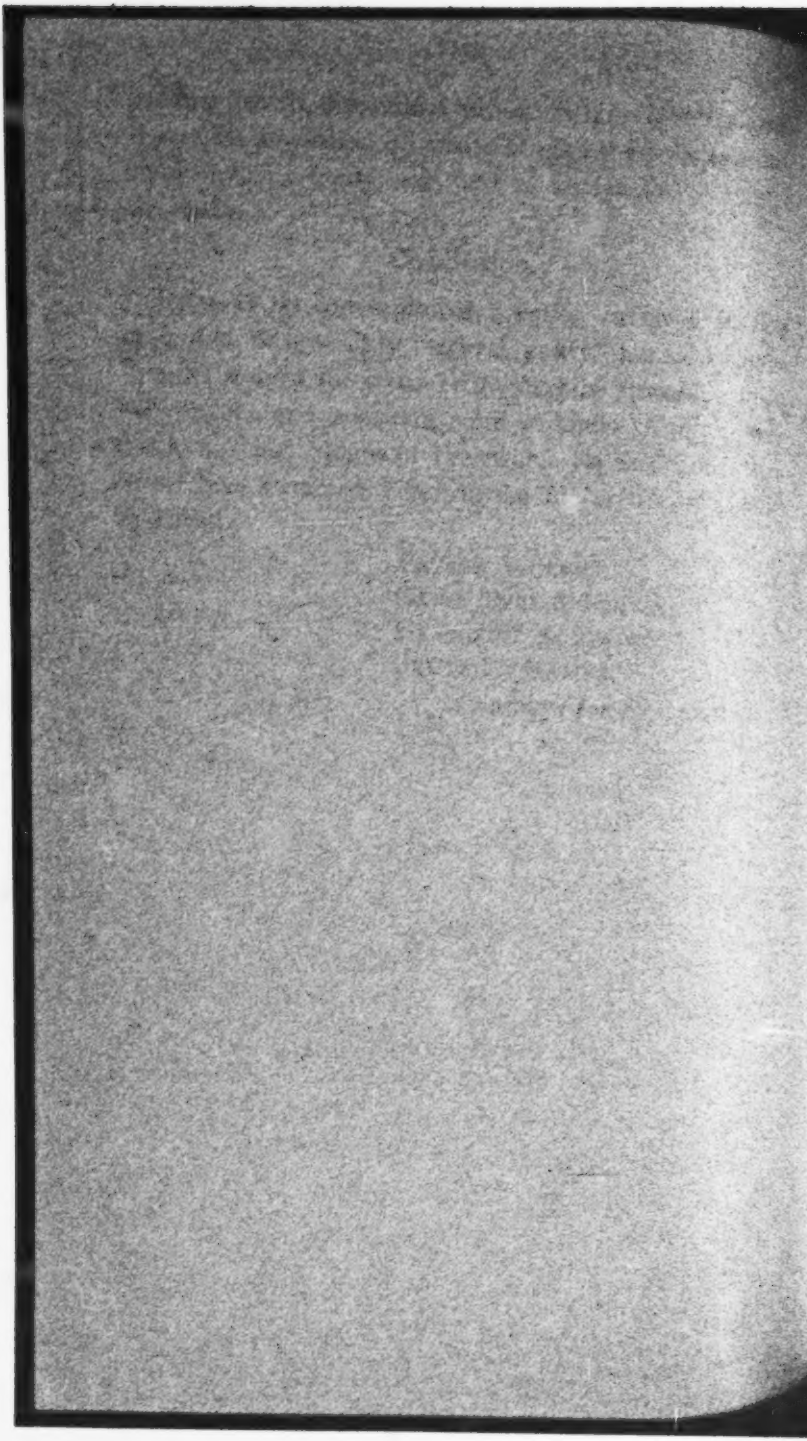
conduct would discourage invention and free competition. This conclusion is consistent with the policies enunciated by this Court and there is no reason to disturb the result.

Conclusion.

There is no constitutional question involved in this case, and no so-called "federal policy" considerations. The decision of the court below may be sustained upon independent and adequate state grounds. And, in any event, no final judgment reviewable by this Court has as yet been rendered. The petition for *certiorari* should be denied.

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APPENDIX 1.

RULE 206. *MEMORANDUM THAT CIVIL CASE IS AT ISSUE.*

(a) No civil case shall be placed on the civil active list or be set for a pretrial conference, for a trial setting conference or for trial until it is at issue and unless a party thereto has served and filed therein an at-issue memorandum, stating:

(1) The title and number of the case;

(2) The nature of the case;

(3) That all essential parties have been served with process or appeared therein and that the case is at issue as to all such parties;

(4) Whether the case is entitled to legal preference and, if so, the citation of the section number of the code or statute granting such preference;

(5) Whether or not a pretrial conference is requested;

(6) Whether or not a jury trial is demanded;

(7) The time estimated for the trial;

(8) The name, addresses and telephone numbers of the attorneys for the parties or of parties appearing in person.

(b) Any party not in agreement with the information or estimates given in an at-issue memorandum shall within ten days after the service thereof serve and file a memorandum on his behalf.

(c) If a pretrial conference is not requested, it may thereafter be requested by either party and such request shall be granted unless to do so will in the opinion of

the court unreasonably interfere with bringing the case to trial or will otherwise result in unfair advantage to any party.

RULE 207. *CIVIL ACTIVE LIST*

(a) [Preparation] At least once in each calendar month, on a day to be designated by the presiding judge or the judges, the clerk shall prepare a list of all civil cases at issue but not yet set for trial wherein an at-issue memorandum has theretofore been filed. Such list shall be known as the civil active list and shall be available for public examination.

(b) [Contents] The cases enumerated on the civil active list shall be designated by their number and by the surname of the first-named party on each side and shall be arranged in order in which the at-issue memoranda were filed.

RULE 220. *SETTING FOR TRIAL WITHOUT PRETRIAL CONFERENCE IN COURTS HAVING MORE THAN TEN JUDGES*

(a) At least once a month in courts having more than ten judges, from the cases on the civil active list in which no pretrial conference is required, other than short causes set under Rule 207.1, times and places shall be assigned for a trial setting conference during such period as will permit their being set for trial not later than 12 weeks after the conference. This setting for a trial setting conference shall: (i) be by or under the supervision of the presiding judge; (ii) be in the sequence as nearly as possible in which the cases appear on the civil active list; (iii) give priority to those cases entitled thereto under the law; and (iv) insofar as feasible assign the same date for trial setting conferences

to those cases in which the same attorney appears. The presiding judge shall provide for a trial setting conference calendar. Motions to continue any such conference shall be made to the trial setting conference judge or, if not available before the presiding judge; and motions to advance, reset, or specially set for trial setting conference shall be made in like manner as such motions are made in respect to the trial of a case.

(b) The clerk shall give not less than 60 days' notice by mail of the time and place of the trial setting conference in each case to all parties appearing therein unless the parties agree to a shorter time or the court orders the time shortened for good cause shown upon noticed motion, and no further notice thereof need be given by any party to the case.